Committee of Home Textile Producers (HTP)

Meeting in Frankfurt/Germany, on January 14, 2011

MINUTES

Participants

Austria Wolfram Dauber-Puza (Lenzing AG)
    Andreas Dorner (Lenzing AG)
    Dieter Eichinger (Lenzing AG)
    Johann Leitner (Lenzing AG)

China Xiao Lei Wang (China Home Textile Association)
    Zhaohua Yang (China Home Textile Association)

Egypt Bassem Sultan (Dyetex)

France Hubert Du Potet (Fédération Française de l'Industrie Lainière et Cotonnière)
    Benoît Hacot (HACOT et Colombier)

Germany Klaus-Jürgen Kraatz (Industrieverband Garne - Gewebe - Technische Textilien)

India Anish Doshi (Textrade International)
    V.K. Goyal (SEL Manufacturing Co.)
    Dhiraj Saluja (SEL Manufacturing)
    Updeep Singh (Welspun India)

Italy Gian Luigi Gregotti Borasio (Bossi)

Pakistan Bashir H. Ali Mohammad (Gul Ahmed Textile Mills & ITMF President)
    Azmat Ali Merchant (Yunus Textile)
    Palla Nisar (Yunus Textile)

Portugal José Pinheiro (Mundotextil-Industrias Texteis)

Switzerland Gregory Fleming (Credit Suisse, Global Research)

Turkey Ali Aydin (Tetsiad, Turkish Home Textile Association)
    Hasim Büyükbalci (Tetsiad, Turkish Home Textile Industrialists')
    Ozman Nuri Canik (Uludag Textile Exporters Association)
    Varol Dödenli (Tetsiad, Turkish Home Textile Industrialists')
    Erhan Özkân (ER-FUN Tekstil San ve Tic.)

USA Jesse W. Curlee (Supima)
    Allen A. Terhaar (Cotton Council International)

ITMF Christian Schindler

In the chair Benoit Hacot
1. Welcome Address by Mr. Olaf Schmidt (Vice President, Messe Frankfurt)

Mr. Schmidt welcomed the participants of ITMF’s Committee Meeting of Home Textile Producers on the fairground of Messe Frankfurt during this year’s “Heimtextil”. He was glad to see that the Committee met for a second time in a row during Messe Frankfurt’s Heimtextil for such a meeting and stated that such meetings complement the exhibition productively as they offer synergies for all partners. He informed the Committee that this year’s Heimtextil was a big success with more exhibitors and also more visitors. Approx. 2'600 exhibitors from 60 countries took part and over 73’000 trade visitors were registered. Mr. Schmidt wished the meeting productive discussions and exchange of information.

2. Opening Remarks by Mr. Benoit Hacot (Vice Chairman, Home Textile Producers Committee)

Mr. Hacot welcomed the participants of the meeting and thanked everybody for their time and effort to attend the meeting. He conveyed the apologies of Mr. Rajesh Mandawewala, Chairman of the Committee, who was not able to attend the meeting. He stated that at the last ITMF Annual Conference in October 2010 in Sao Paulo/Brazil one of the most discussed topics in the meeting of the Committee of Home Textile Producers and during the General Sessions and of course in the many discussions taking place in the corridors were soaring cotton prices and the consequences for the entire textile value chain from fiber to retail. The Committee of Home Textile Producers therefore suggested in Sao Paulo to invite representatives from the cotton, textile and retail industries for a joint meeting in order to analyze the reasons in more depth and to discuss the outlook of cotton prices as well as the challenges and possible consequences of high cotton prices in the short-, medium- and long-term. The ITMF therefore proposed a meeting between representatives of the cotton, textile and retail industry in New York.

Mr. Hacot informed the meeting that earlier this week, on January 10, 2011, ITMF had organized such a “Textile Value Chain Meeting” in New York where representatives of the cotton industry presented papers in which they outlined the reasons as well as the consequences and expectations with regard to future cotton and textile prices.

3. Presentations by Representatives of the Cotton Industry held in New York on January 10, 2011

Mr. Christian Schindler, ITMF Director General, presented the paper with the title “The Impact of a Demand Driven Cycle on Cotton Prices” that Mr. Jordan Lea, President of the American Cotton Shippers Association (ACSA), had presented in New York (see attachment). Mr. Lea demonstrated in this paper that the extreme high cotton prices are mainly a result of demand of cotton surpassing supply. In 2010 the global supply reached approximately 115 million bales while consumption stood at 118 million bales (480 pound bales). Since already in previous years demand was higher than supply, stocks were reduced constantly resulting in relatively low stock-to-use ratios both in the US and in the world (10% and 34%, respectively). Very high price levels (i.e. December 2011 futures) can not only be observed for cotton but also for food crops like corn or soybeans, indicating that these are demand driven, mainly as a result of booming economies in the emerging countries, especially China and India. Mr. Lea pointed out that in January 2011 already 96%
of the current crop is sold. While cotton futures dropped by 40 cts/lb only to rebound afterwards, cash prices for cotton remained high. It is not expected that demand in emerging countries will decrease in the course of 2011. Furthermore and very important also for the long run is the fact that the demand for food crops will continue to increase as a result of a growing world population and higher per capita income/consumption. This will increase demand for arable land for the production of food crops at the expense of cotton. As the production of cotton is in most regions not as profitable as the production of food crops, this will create negative incentives for cotton farmers. In addition, the rising consumption/use of food crops (i.e. grain) for the production of de-ethanol will further increase demand for them. It will take some time (a few years) to replenish the low cotton stocks which also will support high cotton prices.

Mr. Schindler also presented the paper “Outlook for the World Cotton Supply and Use: Record Price Surge as 2010/11 Cotton Supply is Sold Out” that Mr. Alejandro Plastina, Economist of the ICAC, had presented in New York (see attachment). He endorsed in his presentation the view that cotton prices are surging as a result of market fundamentals. Volatility in cotton prices can be observed currently and poses a constant threat to spinners after they have been rising in such a manner. At the moment cotton prices for physical cotton remain on a very high level as demand remains strong and above production levels. He pointed out that world ending stocks in million tons are very low and that therefore the stock-to-use ratio remains around 35%. Like Mr. Lea he emphasized that the largest part of 2010/2011 has already been sold. The ICAC forecasts the average cotton price (Cotlook A Index) for the season 2010/2011 to be US 101 Cents as compared to US 78 Cents in 2009/2010.

Finally, Mr. Schindler presented the paper “Pass-Through Analysis of Cotton Prices” (see attachment) which was prepared jointly by Mr. Jon Devine (Cotton Incorporated) and Mr. Alejandro Plastina (ICAC). In this paper it was analyzed how and to what extent the surge in cotton prices affects the textile value chain. Comparing to the 4th quarter 2009 cotton prices were up by US 85 cents/lb in the 4th quarter 2010. Taking different products (T-shirt, Polo Shirt, Woven Shirt, Jeans) and looking at the required amount of cotton the theoretical effect of this cost increase can be calculated:

<table>
<thead>
<tr>
<th>Product</th>
<th>Required Cotton</th>
<th>Cost Increase</th>
<th>Theoretical Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jeans</td>
<td>1.54 (lb)</td>
<td>85 (cents/lb)</td>
<td>USD 1.63</td>
</tr>
<tr>
<td>T-shirt</td>
<td>0.41 (lb)</td>
<td>85 (cents/lb)</td>
<td>USD 0.35</td>
</tr>
</tbody>
</table>

Compared with average retail prices the increase of US 85 Cents in cotton costs leads to price increases of 1.8% in T-shirts and 4.5% in Jeans.

The cost increases in the textile value chain since August 2010 are as follows:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cotton Prices</td>
<td>up 100%</td>
</tr>
<tr>
<td>Yarn Prices</td>
<td>up 45%</td>
</tr>
<tr>
<td>Fabric Prices</td>
<td>up 12%</td>
</tr>
<tr>
<td>Garment Prices</td>
<td>up 1%</td>
</tr>
<tr>
<td>Apparel CPI</td>
<td>down 1%</td>
</tr>
</tbody>
</table>
In the discussion that followed it was pointed out by participants from the textile and retail industry that these figures do not show the whole impact of the increases of cotton prices as there is a considerable time-lag until cotton prices are passed through the entire textile value chain to the end-consumer. While cotton prices are traded on a daily basis retailers have contracts with textile/garment manufacturers in which prices are fixed up to one year prior to delivery. Therefore prices at the textile/garment levels are adapted in longer intervals. In addition to increases in cotton prices also other cost factors such as energy, labor or water have been rising lately in most textile producing countries and will add to the cost increases caused by cotton. Consequently it is expected that further price increases at the retail level are in the pipeline and should be seen in the following months.

4. General Discussion

The participants shared the view that cotton prices have been rising to unprecedented highs as a result of a growing world population and a growing world GDP steaming mainly from the emerging economies like China, India, Brazil, Indonesia, Turkey, etc. Per capita consumption of fibers is growing strongly in these economies continuously increasing demand. While demand for cotton is strong and is expected to remain robust, it was questioned whether the supply of cotton will increase sufficiently in the near future. The expectation was expressed that cotton prices are bound to remain significantly higher than in previous years because price levels of competing food crops have surged as well and continue to do so. Therefore food crops are competing for arable land with cotton. The mean reasons for this increase in prices for food crops are 1) growing world population, 2) growing demand for food crops which is consumed by animals for the increasing demand for meat and 3) growing demand for ethanol as an alternative fuel source.

The participants pointed out that especially home textile products are very much affected by higher cotton prices since many of them need a lot of cotton (i.e. terry towels, bed linen, etc.). Furthermore the discussion showed that higher cotton prices as well as other cost factors such as energy, labor, water, etc. are more and more feeding into the textile value chain resulting more and more in higher prices the retail industry is paying to the textile manufacturers (10% and more) and – if feasible – are eventually passed on to the end-consumer. It was pointed out that in the developed economies passing on higher input prices at the retail level is easier in the upper segments but more difficult in the middle and almost impossible in the lower segments. In emerging economies the situation is somewhat different as price increases are generally more accepted resulting in higher inflation rates.

It was emphasized that one major challenge for the textile industry is to receive credit facilities for purchasing the more expensive raw materials needed to produce the respective quantities ordered by their customers. Very often credit lines are not extended by banks and/or finances are blocked in letter of credits for cotton that are not opened. It was therefore suggested that textile manufacturers discuss with their customers the question of how to finance higher raw material costs.

Another major concern expressed by the participants is the risk involved with the extreme volatility of the international cotton market. Volatile cotton markets threaten textile mills if they are caught on the wrong foot. Therefore it was suggested to discuss with retailers how they can assist their partners in securing cotton supply.
One major concern expressed by the participants was the risk that cotton prices might also fall for a certain period of time. In such a scenario textile manufacturers would be faced with requests from retailers to reduce their prices quickly and considerably. This would eventually result in heavy losses due to expensive cotton stocks. The participants agreed that both scenarios – that of even higher and that of significantly lower cotton prices – should be kept in mind in order to reduce the risks involved.

Textile representative from China stated that Chinese textile mills exporting to developed economies are under enormous pressure as they have difficulties passing on higher input costs. They find themselves squeezed between higher input costs at home and limited prices paid by the retail industry in the developed economies. Before losing money and getting insolvent they rather stop production or, if possible, shift to the domestic market where cost increases can be passed on.

Another major topic that was discussed was the cotton and textile policy pursued by the Indian government. On the one side it was argued that the ban/restriction of cotton exports contributed negatively to the development of ever higher cotton prices. In the past few years India had become an important net exporter of cotton. Therefore the decision of the Indian government to stop/restrict cotton exports including those that were already committed affected the international cotton trade badly. As a consequence – so the argument – international cotton prices continued to surge while cotton prices in India stayed below international quotations. On the other side it was argued that cotton prices in India surged also and that the Indian textile industry is not having a price advantage. Since Indian yarn exports are restricted as well this is affecting negatively the Indian cotton spinning industry that in the past decade had invested heavily in this segment of the textile value chain.

The Committee was informed by Mr. José Pinheiro (munodtextil, Portugal) that the Portuguese government intends to bring the case of the Indian cotton policy pursued in the current crop year 2010/2011 in front of the World Trade Organization (WTO) questioning its conformity with WTO-rules.

5. Final Remarks by the Chairman

Mr. Benoit Hacot thanked the participants of the meeting for the interesting discussion and the exchange of experiences and views regarding soaring cotton prices. In his opinion it is important that the producers of home textiles meet on a regular basis for such discussions on important topics affecting their industry. He closed the meeting by informing everybody that the next meeting of the Committee of Home Textile Producers will take place in Barcelona/Spain in connection with the ITMF Annual Conference (September 19-21, 2011).

Zurich, February 3, 2011
The Impact of a Demand Driven Cycle on Cotton Prices

New York City
January 2011

The Trend in US Cotton Supplies

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Crop</strong></td>
<td>19.2 million bales</td>
<td>12.8 million bales</td>
<td>12.2 million bales</td>
<td>18.3 million bales</td>
</tr>
<tr>
<td><strong>Use</strong></td>
<td>18.2 million bales</td>
<td>16.8 million bales</td>
<td>15.5 million bales</td>
<td>19.5 million bales</td>
</tr>
<tr>
<td><strong>Ending Stocks</strong></td>
<td>10.0 million bales</td>
<td>6.3 million bales</td>
<td>2.9 million bales</td>
<td>1.9 million bales</td>
</tr>
<tr>
<td><strong>Stocks/Use Ratio</strong></td>
<td>55 %</td>
<td>37 %</td>
<td>19 %</td>
<td>9.8 %</td>
</tr>
</tbody>
</table>
The Trend in World Cotton Supplies

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crop</td>
<td>107 million bales</td>
<td>101 million bales</td>
<td>115 million bales</td>
</tr>
<tr>
<td>Use</td>
<td>109 million bales</td>
<td>118 million bales</td>
<td>118 million bales</td>
</tr>
<tr>
<td>Ending Stocks</td>
<td>60 million bales</td>
<td>44 million bales</td>
<td>41 million bales</td>
</tr>
<tr>
<td>Stocks/Use Ratio</td>
<td>55 %</td>
<td>37 %</td>
<td>34 %</td>
</tr>
</tbody>
</table>

This ending stocks number assumes that there are 15.2 million bales in China. (there aren’t).

March 2011 Cotton Futures
### US Soybean Numbers 09/10

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crop</td>
<td>3.36 billion bushels</td>
<td>3.38 billion bushels</td>
</tr>
<tr>
<td>Use</td>
<td>3.36 billion bushels</td>
<td>3.37 billion bushels</td>
</tr>
<tr>
<td>Ending Stocks</td>
<td>151 million bushels</td>
<td>165 million bushels</td>
</tr>
<tr>
<td>Stocks/Use Ratio</td>
<td>4%</td>
<td>5%</td>
</tr>
</tbody>
</table>

### US Corn Numbers 09/10

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crop</td>
<td>13.1 billion bushels</td>
<td>12.5 billion bushels</td>
</tr>
<tr>
<td>Use</td>
<td>13.1 billion bushels</td>
<td>13.4 billion bushels</td>
</tr>
<tr>
<td>Ending Stocks</td>
<td>1.7 billion bushels</td>
<td>830 million bushels</td>
</tr>
<tr>
<td>Stocks/Use Ratio</td>
<td>13 %</td>
<td>6 %</td>
</tr>
</tbody>
</table>
Cotton vs. Grain

2011/2012 US Numbers

<table>
<thead>
<tr>
<th>US</th>
<th>Acres</th>
<th>Yield</th>
<th>Production</th>
<th>Consumption</th>
<th>Ending Stocks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12.3 million acres (up 1.5 mln)</td>
<td>790 pounds (vs. 821 in 2010)</td>
<td>20.2 million bales</td>
<td>19.5 million bales</td>
<td>2.9 million bales</td>
</tr>
</tbody>
</table>

-Based on 480 pound bales
2011/2012 World Numbers

<table>
<thead>
<tr>
<th>World</th>
<th>Production</th>
<th>Consumption</th>
<th>Ending Stocks</th>
<th>Stocks /Use</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>122 million bales</td>
<td>120 million bales</td>
<td>43 million bales</td>
<td>35 %</td>
</tr>
</tbody>
</table>

-Based on 480 pound bales

The Year That Will Be

CTZ11 - Cotton #2 (ICEUS) - Daily Line Chart

Var: 10371, Open Interest: 42,752.00
Possible Support for Cotton Prices

- With 8 months to go in the Marketing Year 96% of the crop is sold.
- During November futures dropped 40 cts /lb. Cash prices did not. Demand is driving this market.
- 2010 Chinese GDP was +9.3 %. Indian was + 8.9%. ½ of World population lives in robust economy.
- Ethanol Mandate
- Bean exports – In 1995 we exported 20 mln bushels of $5 beans. In 2011 we will export 900 mln bushels of $12 beans.
- Stocks are so low it will take a dramatic drop in consumption and a big increase in production to rebuild them.

Potential Pressure on Prices

- India and China – Such unprecedented growth cannot continue. It will end badly when it does.
- Macroeconomic issues that face the Euro and the Dollar.
- Pigweed – will acreage explode when the cure is found?
- The 2012 Farm Bill
- The Yield Curve and a dip in demand.
- Unforseen Circumstances
Outlook for World Cotton Supply and Use:

Record Price Surge as 2010/11 Cotton Supply is Sold Out

Alejandro Plastina, ICAC
January 10, 2010

Cotlook A Index

U.S. cents/lb

2007/08  2008/09  2009/10  2010/11

Minutes - Home Textile Producers Meeting, Frankfurt/Germany, January 14, 2011
"Outlook for World Cotton Supply and Use: Record Price Surge as 2010/11 Cotton Supply is Sold Out"
Alejandro Plastina, Economist, ICAC
Spot and Futures Prices

US cents/lb

- A Index
- Nearby Cotton Futures Price

Aug-07 Aug-08 Aug-09 Aug-10

Price Volatility in the Cotlook A Index – Entire Season*

Difference from Season Average

- Highest Quote Each Season
- Lowest Quote Each Season

* 2010/11: through Jan 7, 2011

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World Cotton Trade

Million tons

94/95 96/97 98/99 00/01 02/03 04/05 06/07 08/09 10/11

Cotton Export Commitments

Million tons

USA India C. Asia Others

Uncommitted Committed
Minutes - Home Textile Producers Meeting, Frankfurt/Germany, January 14, 2011
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**World Production & Mill Use**

Million tons

<table>
<thead>
<tr>
<th>Year</th>
<th>Production</th>
<th>Mill Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>94/95</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>98/99</td>
<td>20</td>
<td>25</td>
</tr>
<tr>
<td>02/03</td>
<td>22</td>
<td>27</td>
</tr>
<tr>
<td>06/07</td>
<td>25</td>
<td>30</td>
</tr>
<tr>
<td>10/11</td>
<td>28</td>
<td>32</td>
</tr>
</tbody>
</table>

**Cotlook A Index**

Season-average (US cents/lb)

- 75/76: 75
- 80/81: 80
- 85/86: 85
- 90/91: 90
- 95/96: 105
- 00/01: 100
- 05/06: 100
- 10/11: 107

The price surge is evident as the index reached its highest point in 10/11.
Price Ratio: Cotton to Polyester*

China Cotton Index to China Polyester Prices

*Cotton-equivalent polyester price index (Source: Cotton Outlook)

Growth in World Cotton Mill Use

Growth in World GDP

Minutes - Home Textile Producers Meeting, Frankfurt/Germany, January 14, 2011
"Outlook for World Cotton Supply and Use: Record Price Surge as 2010/11 Cotton Supply is Sold Out"
Alejandro Plastina, Economist, ICAC
**Fiber Prices***

U.S. Cents per Pound

*Weekly Quotes (Source:Cotton Outlook)

**Price Volatility in the Cotlook A Index – First 4 Months of Each Season**

Difference from 4-months average

* 2010/11: until November 19, 2010
Production in the Southern Hemisphere

Million tons

94/95 98/99 02/03 06/07 10/11

1 1.5 2 2.5 3 3.5

Cotton & Yarn Indices

Weekly Index*

Aug-08 Dec-08 Apr-09 Aug-09 Dec-09 Apr-10 Aug-10

Cotlook A Index
Cotlook Yarn Index

* August 2005 = 100
Price Ratio:
Cotton Yarn to Cotton Lint*

*Ratio between Cotlook Yarn Index and Cotlook A Index
Pass-Through Analysis of Cotton Prices

Jon Devine & Alejandro Plastina
Cotton Incorporated & International Cotton Advisory Committee

RECORD BREAKING PRICES

[Graph showing cotton price trends]
2010/11 Cotton Prices in Context

Theoretical Pass-Through for Cotton

<table>
<thead>
<tr>
<th>Product</th>
<th>Avg. Retail Weight (lbs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>T-shirt</td>
<td>0.40</td>
</tr>
<tr>
<td>Polo Shirt</td>
<td>0.52</td>
</tr>
<tr>
<td>Woven Shirt</td>
<td>0.42</td>
</tr>
<tr>
<td>Jeans</td>
<td>1.54</td>
</tr>
</tbody>
</table>

Sources: Cotton Incorporated Retail Monitor™ USDA ERS
Theoretical Pass-Through for Cotton

<table>
<thead>
<tr>
<th>Product</th>
<th>Avg. Retail Weight (lbs)</th>
<th>Total Cotton Required (lbs)</th>
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</thead>
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<tr>
<td>T-shirt</td>
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<td>0.54</td>
</tr>
<tr>
<td>Woven Shirt</td>
<td>0.42</td>
<td>0.50</td>
</tr>
<tr>
<td>Jeans</td>
<td>1.54</td>
<td>1.92</td>
</tr>
</tbody>
</table>

Sources: Cotton Incorporated Retail Monitor™ USDA ERS

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Theoretical Pass-Through for Cotton

<table>
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<tr>
<th>Product</th>
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### Theoretical Pass-Through for Cotton

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<tr>
<th>Product</th>
<th>Avg. Retail Weight (lbs)</th>
<th>Total Cotton Required (lbs)</th>
<th>Theoretical Effect of 85¢/lb Increase</th>
</tr>
</thead>
<tbody>
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<td>0.40</td>
<td>0.41</td>
<td>$0.35</td>
</tr>
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<td>0.52</td>
<td>0.54</td>
<td>$0.46</td>
</tr>
<tr>
<td>Woven Shirt</td>
<td>0.42</td>
<td>0.50</td>
<td>$0.43</td>
</tr>
<tr>
<td>Jeans</td>
<td>1.54</td>
<td>1.92</td>
<td>$1.63</td>
</tr>
</tbody>
</table>

Sources: Cotton Incorporated Retail Monitor™ USDA ERS

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### Theoretical Pass-Through for Cotton

Theoretical increase in retail cost due to 85¢/lb increase in cotton prices

- T-shirt: $0.35
- Polo Shirt: $0.46
- Woven Shirt: $0.43
- Jeans: $1.63
Theoretical Pass-Through for Cotton

Theoretical increase compared to average retail prices

T-shirt: 1.8%
Polo Shirt: 2.1%
Woven Shirt: 1.5%
Jeans: 4.5%

Source: Cotton Incorporated Retail Monitor™

Cotton Supply Chain

Fiber Yarn Fabric Garment Retail
Cotton Supply Chain & Price Data

Fiber  Yarn  Fabric  Garment  Retail

Price data for fiber and yarn are widely available

Cotton Supply Chain & Price Data

Fiber  Yarn  Fabric  Garment  Retail

Fabric is less of a commodity, can use trade data
Cotton Supply Chain

Fiber | Yarn | Fabric | Garment | Retail

Fiber to Yarn

Since August:
- Fiber prices up 100%
- Yarn prices up 45%

Source: Cotlook
Yarn to Fabric

index 2005=100 USD/M2 Chinese woven cotton fabric imports (SA)

- Yarn Index
- Woven Fabric Imports

Since August:
- Yarn prices up 45%
- Fabric prices up 12%

Sources: Cotlook, Global Trade Atlas

Fabric to Garment

Chinese woven fabric imports USD/SME (SA) US cotton apparel imports USD/SME (SA)

- Chinese Woven Fabric Import
- Landed Import Cost

Since August:
- Fabric prices up 12%
- Garment prices up 1%

Sources: Global Trade Atlas, OTEXA
Garment to Retail

Since August:
- Garment prices up 1%
- Apparel CPI down 1%

Sources: OTEXA, Dept of Commerce

Summary of Current Data

- Fiber: Up 100%
- Yarn: Up 45%
- Fabric: Up 12%
- Garment: Up 1%
- Retail: Down 1%
The Consumer

Will consumers accept higher prices?

• Economy improving
• Clothing is a fraction of overall spending

Consumer Expenditures

Source: US Dept of Commerce, values for 2009
The Consumer

Will consumers accept higher prices?

• Economy improving
• Clothing is a fraction of overall spending
• Other rising prices also threaten spending
Theoretical Pass-Through: Mass Merchants

Theoretical increase compared to average retail prices

- T-shirt: $0.35 to $10, 3.3%
- Polo Shirt: $0.46 to $11, 4.2%
- Woven Shirt: $0.43 to $15, 2.9%
- Jeans: $1.63 to $18, 9.2%

Source: Cotton Incorporated Retail Monitor™

Theoretical Pass-Through: Specialty Stores

Theoretical increase compared to average retail prices

- T-shirt: $0.35 to $10, 1.4%
- Polo Shirt: $0.46 to $11, 1.8%
- Woven Shirt: $0.43 to $15, 1.2%
- Jeans: $1.63 to $18, 2.5%

Source: Cotton Incorporated Retail Monitor™