Committee of Home Textiles Producers

March 26, 2014

5:00 – 7:00 pm
Room: “A” – above Buyer’s Lounge
Textile Bldg. 295 Fifth Ave
30th & 31st on Fifth Ave
New York / USA

Minutes

Participants:

Austria
Denitza IVANOFF (Lenzing AG)

Egypt
Karim SHAIFI (Gherzi Egypt)

India
Jiwrajka ALOK (Alok Industries Ltd.)
R.C. PANWAR (Century Textiles and Industries Ltd.)
Pradeep KHER (Birla Century (Divn. Of Century Textiles and Industries Ltd.)
R.K. DALMA (Century Textiles and Industries Ltd.)
Rajesh MANDAWEWALA (Welspun India Ltd.)
Anish DOSHI (Texttrade International Ltd.)
P.K. MARKANDAY (Abhishek Industries Ltd.)

Pakistan
Haider BOKHERY (Yunus Textile Mills Ltd.)
Rehan RAHMAN (Feroze 1888 Mills Ltd.)
Anas RAHMAN (Feroze 1888 Mills Ltd.)
Zaki BASHIR (M/S. Gul Ahmed Textile Mills Ltd.)
Omar KHAN (Hira Terry Mills Ltd.)
Nisar PALLA (Yunus Textile Mills Ltd.)
Ayaz Ali MERCHANT (Lucky / 1888 Mills)
Umair VIRK (Hira Terry Mills Ltd.)

Portugal
Ana PINHEIRO (Mundotextil - Industrias Texteis, S.A.)

Switzerland
Arthur ESTEVES-FERREIRA (Fordham University)

USA
Normand SAVARIA (WestPoint Home LLC)
Steven GRAY (WestPoint Home LLC - Clemson Division)
Abdul YAQUB (1888 Mills LLC)
Prem S. KATYAL (Royale Linens)
Barry LEONARD (Welspun India Ltd.)
Jordan LEA (Eastern Trading Company, Inc.)
Jonathan R. SIMON (1888 Mills, LLC)
Thomas P. O’CONNOR (Springs Global US, Inc.)
Richard SILVIA (Werner International)

ITMF
Christian P. SCHINDLER (ITMF)
1. **Opening Remarks**

The meeting was opened by Christian Schindler, Director General of the ITMF. He thanked the participants for having taken the time to attend the meeting during the Home Textile Market Week in New York. He also thanked the management of the Textile Building for having provided the meeting room. He especially thanked the speakers for having accepted the invitation to give presentations during the meeting.

2. **Presentation on “Cotton Prices & Forecasts”**

Mr. Jordan Lea, Chairman, Eastern Trading Company/USA, gave an excellent presentation on current cotton prices and an outlook based on the current and future cotton demand and supply situation with a special focus on the role of the Chinese cotton policy (see document no. 1).

3. **Presentation on “Home Textile Market Trends in the US and Europe”**

Mr. Dick Silvia, Senior Marketing Expert, Werner International, gave a very informative presentation on the current situation and outlook of the home textile markets in the US and Europe. He emphasized that in recent exhibitions prints and fancies marked important trends that exhibitions become more and more product development shows and that digital printing is an important trend. He also pointed out that online sales are gaining ground though from a relative low level (see document no. 2).

4. **Presentation on “Producer/Retailer Alignment”**

Mr. Jonathan Simon, CEO, 1888 Mills/USA, gave a very thought provoking presentation about the possible role of the ITMF Home Textiles Producers Committee that focused on issues like compliance, sustainability, and transparency (see document no. 3).

5. **Open Discussion on the “Potential Role of the Committee as a ‘Voice’ of the Industry”**

Based on Mr. Simon’s presentation the meeting discussed the potential role of the Home Textiles Producers Committee as a “Voice” for the industry. The discussion showed that there is the need for more transparency with regard to environmental and social sustainability. Currently home textiles producers are faced with numerous audits in order to comply with all the different requirements set by the retailers. The current compliance audit system has become cumbersome, inefficient, and costly for the producer and retailer. The main cause is due to the lack of a standardized audit system for home textile producers. Retailers conduct their audits through 3rd party audit firms. The compliance audit process and criteria varies from retailer to retailer.

Based on the above analysis the Committee agreed to form a HTP-Sub-Committee to explore the development of standards for factory compliance audits among all retailers.
During the meeting the following companies agreed to participate in the HTP-Sub-Committee:

- 1888 Mills
- Alok
- Feroze
- Gherzi
- Gul Ahmed
- Trident
- Yunus

Each company will inform the ITMF Secretariat which person will join the HTP-Sub-Committee. Other companies are of course invited to join the Sub-Committee.

6. Next Meetings

It was agreed that the next meeting should be held in September during Home Textile Market Week in New York/USA (September 15-18). Like in March the meeting is scheduled for Wednesday, September 17, 2015 between 17.00-19.00 hrs.

It was also agreed that the Committee should thereafter have a meeting on the occasion of the ITMF Annual Conference 2014 (October 16-18, 2014) in Beijing/China. The exact date and time will be fixed at a later stage.

Finally, it was agreed that the traditional meeting during Heimtextil 2015 (January 14-17, 2015) should be held on Thursday, January 15, 2015 between 17.00-19.00 hrs.

April 2014
ITMF
HOME TEXTILE PRODUCERS COMMITTEE

26 March 2014
New York City
Recent News Headlines

- **China abandons failed cotton stockpiling programme**
  BEIJING, Jan 20, 2014 - FT

- **China banker urges more state grain, cotton sales-report**
  BEIJING, March 17, 2014 – Reuters

- **ANALYSIS-American affair with cotton frays as man-made fibers take to catwalk**
  NEW YORK, March 13, 2014 - Reuters

- **UPDATE 1-China to cut floor price for state cotton sales to ease stocks**
  24-Mar-2014 06:00 - Reuters
What Happened First

CT - Cotton #2 (ICEUS) - Monthly Nearest Line Chart

CTK11: 197.35
World Cotton Production and Use

- **2009 - Drop in Production**
  - Increase in Use

- Demand slowly improving
  - 4 consecutive years Production > Use

Background for Buildup in Stocks
What has Happened Since..
Some Numbers to Consider

- 97,000,000 – World Ending Stocks Today
- 109,000,000 – Estimated Consumption 2014/15
- 116,000,000 – Estimated Production 2014/15
- 14 – ???
Home Textile Market Trends in the US and Europe

RICHARD W. SILVIA
WERNER INTERNATIONAL

ITMF COMMITTEE OF HOME TEXTILES PRODUCERS
MARCH 26, 2014
Key Trends to Watch

- Solids still rule but prints and fancies are making in-roads
- Shift in US presence at the show - fewer merchants, more product development
- Digital printing the important trend to watch
Digital Printing

- A fad or the future of Printing?
  - Cost Factors
  - Speed of Printing
  - Alternatives?
Digital Printing

- Portugal leads the way in digital printing
- United States at least 2 years behind Europe
- $12 Billion in sales in Home Textiles
- Wallpaper and paper goods - growing area
- Costs still a barrier for the US
Digital Prints at the Fair
Bedding House
Digital Prints at the Fair
Vandyke Textiles
Digital Prints at the Fair
Damai
Faux Digital Panel Prints
ACS Textiles
Faux Digital Panel Prints
Kam Textiles
Faux Digital Panel Prints
Gul Ahmed
Trends in the US-
Fancies gaining interest in towels
Trends in the US -

Coordinated Prints are making a comeback in Bedding
Internet Sales Continue to Grow in importance
Internet Sales

- Becoming more important to brick and mortar stores
- Retailers upgrading web sites and offerings
  - Higher prices on-line
  - Drop ship ability a necessity
  - Bed Bath & Beyond- only 3% of sales on-line!
Trends to watch:

- Up-Specking
  - Will upgraded constructions hold?
    - Retailer commitment?
    - Cotton pricing a factor?
      - Influx of polyester and blends
Trends to Watch-

- Will production come back to the US?
  - Spinning most likely venue
    - Efficiency factors
    - Raw material advantage
  - Digital Printing
  - Niche Weaving Opportunities
ABOUT WERNER INTERNATIONAL

- Werner is a management consulting practice globally active since 1939, focused exclusively on assisting the textile, apparel and fashion industry in improving its performance and optimising its activities.

- Werner is unique, combining specialised expertise in all technical areas of the supply chain with global marketing know-how and exceptional networking.

- Werner operates throughout the world with an international team of highly specialized senior consultants with representatives in most countries.
OUR CLIENTS INCLUDE:

- Governments
- International Agencies
- Financial Institutions
- Investors
- Leading private-sector companies of the textile, apparel and fashion industry.
TECHNICAL AREA

- Benchmarking for all manufacturing activities
- Productivity improvements & control
- Product Development management
- Total Quality management
- Manufacturing standards and control
- Preventive maintenance
- Standard cost system design
- Supervisor & operator training program
- Management training and development
- Sourcing strategy and suppliers accreditation
- Management Information Systems
- New plant start-up
MARKETING AND STRATEGY AREA

- Market intelligence and strategic market analysis
- Audit & benchmarking for the marketing, branding and retailing areas
- Top Management training
- Partners search
- Acquisitions & Joint Ventures
- Strategic Business Planning
- Development of Global sourcing strategies
- Marketing Strategies
- Merchandising management
- Retail management
- Brand development
OUR CLIENTS ARE OUR PARTNERS

WE ARE THEIR SOURCE OF STRATEGIC KNOW-HOW

WE BUILD RELATIONSHIPS BASED ON TRUST

THANK YOU FOR YOUR TIME

WWW.WERNERINTERNATIONAL.COM
Committee of Home Textile Producers

Purpose

- Chairman: Rajesh Mandawewala (India)
- Vice Chairman: Benoît Hacot (France)

- This Committee convened for the first time during the ITMF Annual Conference 2009 in Shanghai with the objective to provide representatives of the home textile industry from around the world a neutral platform to meet in a relaxed atmosphere among colleagues, to discuss important issues of the industry, to exchange information and experience and to develop ideas and concepts how to address current and future challenges and opportunities.

- In order to guarantee a constant exchange of views and information the Committee meets 2 – 3 times a year around the world on the occasion of the ITMF Annual Conference as well as during major home textile fairs/weeks.
The Economic Pyramid

**Affluent:** 200 million people (3% of world population.)
Earning over $20,000 per year each.
Total spending: $35.42 trillion (74% of global GDP)

**Middle Income:** 1.4 Billion people (21% of world pop.)
Earning between $3,000 and $20,000 per year.
Total spending: $12.5 Trillion (18% of GDP)

**BoP 3000**
**BoP 1000**
**BoP 500**

**Relatively Poor:**
4 Billion people (61% of world population).
Earning $365 - $3,000 per year.
Total spending: $5 Trillion (8% of global GDP)

**Very Poor:**
1.2 Billion people (15% of world pop.)
Earning less than $1 a day ($365 per year)
Total spending $200 Million (< 1% of GDP)
Empowering Women
Environment

WASTE WATER TREATMENT

GREATE SEAL CERTIFIED

GREEN FACTORY

OPTIMIZES
- Natural Resources
- Light
- Wind
- Water

MINIMIZES
- Use of Non Renewable Energy Sources

UTILIZES
- Eco Friendly Materials

PREVENTS
- Contamination, through waste management

SUSTAINABLE MANUFACTURING

is defined as the creation of manufactured products that use processes that are non-polluting, conserve energy and natural resources, and are economically sound and safe for employees, communities and consumers.” - Department of Commerce
Safety and Security
Transparency

Welcome to Track My T!

A one of a kind website that allows you to explore the journey YOUR t-shirt has taken.

From its very beginning as a cotton seed on a farm, to every step it took before you bought it.

Continue ➔
“During the last year, one of our units had three social compliance audits from the same audit company for three different buyers. We also had five supply chain security audits from three different audit companies for different buyers.”

<table>
<thead>
<tr>
<th>BUYER</th>
<th>AUDIT TYPE</th>
<th>AUDIT DATE</th>
<th>AUDITED BY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer 1</td>
<td>FCCA</td>
<td>29-Sep-2013</td>
<td>ITS</td>
</tr>
<tr>
<td></td>
<td>ES</td>
<td>10-Mar-2013</td>
<td>STR</td>
</tr>
<tr>
<td></td>
<td>SDP</td>
<td>15-Jan-2013</td>
<td>Customer 1</td>
</tr>
<tr>
<td></td>
<td>SCS</td>
<td>24-Dec-2013</td>
<td>ITS</td>
</tr>
<tr>
<td>Customer 2</td>
<td>WCA</td>
<td>01-02/Aug/2013</td>
<td>ITS</td>
</tr>
<tr>
<td></td>
<td>SQP</td>
<td>5-Apr-2013</td>
<td>ITS</td>
</tr>
<tr>
<td>Customer 3</td>
<td>FE</td>
<td>13-Feb-2013</td>
<td>Customer 3</td>
</tr>
<tr>
<td></td>
<td>ES</td>
<td>6-Apr-2013</td>
<td>Customer 3 &amp; ITS</td>
</tr>
<tr>
<td>Customer 4</td>
<td>FA</td>
<td>29-Nov-2013</td>
<td>BV</td>
</tr>
<tr>
<td>Customer 5</td>
<td>GSV</td>
<td>23-Dec-2013</td>
<td>ITS</td>
</tr>
<tr>
<td>Customer 6</td>
<td>SECURITY</td>
<td>31-Jan-2013</td>
<td>SGS</td>
</tr>
</tbody>
</table>
"This summer RILA joined the retail community in announcing the formation of the Alliance for Bangladesh Worker Safety. The Alliance, whose members include many of the largest North American retailers, established a binding, transparent, results-oriented, initiative to improve worker safety in Bangladeshi garment factories. Since then, the Alliance has made considerable progress developing uniform standards, conducting audits, hiring local experts in Dhaka, and working with stakeholders to ensure that the factories from which Alliance members source are safe."

The Operational Audit Committee is a group of key retail industry partners that have formed together to discuss topics that relate to various audit and compliance issues we all face. This strategic partnership allows for networking and benchmarking opportunities regarding issues that affect each and every one of us.
Associations
Potential Role of the Committee as a “Voice” of the Industry