



SCHOOLWEAR
ASSOCIATION

Factsheet

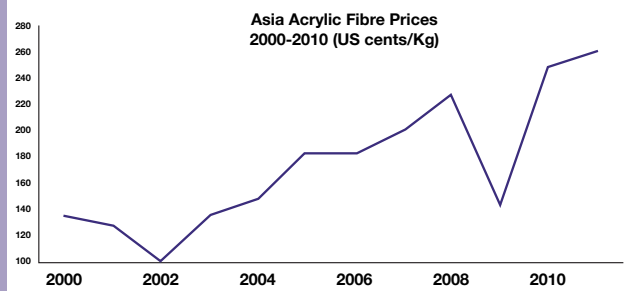
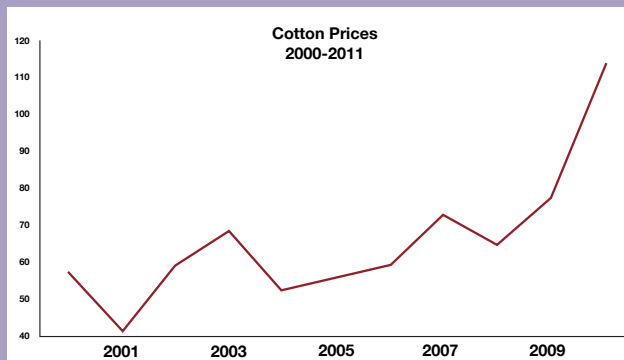
Media Factsheet 7 Raw Material Prices

There is no doubt that 2010 has been a particularly difficult year in both terms of the economy and indeed in the supply of product into Schoolwear. There have been a number of issues at play, many of them have been reported widely but they have conspired to make 2010 more traumatic than most years in terms of garment supply and 2011 will continue to prove challenging. This sheet is not designed to be exhaustive but to give an overview of some of the issues in the marketplace.

One of the influential factors has been the increase across the board in transit costs. This is not just across textiles but all products being transported from Asia to European routes. It is accepted that demand in 2010 for freight services rose by over 23%. At the same time shipping routes withdrew capacity in order to maintain high market prices and 85% of the shipping lines started to operate a "slow steaming" policy to cut their costs. This culminated in a doubling of freight costs from 2009 levels. Many Schoolwear suppliers are affected by these trends.

Other global trends are affecting the supply of clothing, notably there has been a 10% increase in labour costs in China which is where many of the garments are being manufactured. Shortages of labour in Thailand and power blackouts of up to 8 days per month in Vietnam have also conspired to exacerbate the situation and affect the supply chain.

Prices



An unprecedented rise in the costs of raw materials and in particular cotton has been witnessed. Cotton has seen almost a 50% rise in the last year or so and recent supply issues have been well documented in the national media. In October 2010 prices were standing at \$0.88/lb future prices are currently set at \$1.20/lb. The four major producers all have issues with production. China is still net importing. India is banning cotton fibre exports. There are significant doubts about production levels in USA and the floods in Pakistan have impacted on crop yields.

Acrylic prices which saw a sharp drop in 2009, are now beginning to move upwards and can only add to the difficult situation. Polyester prices are also edging ahead as many manufacturers substitute fibres in the face of price hikes.

Manufacturers have, in the main, placed their business extra early this season to try to offset further price increases in 2011 and secure stable sources of supply.

Suppliers into schools will in turn need to place their forward order business for 2011 back to school as early as possible to keep uncertainty at a minimum and ensure good deliveries throughout the season.

The Schoolwear Association recommends that you discuss the situation with your schools and take early action to secure your requirement for 2011.