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Mills Bank on Wal-Mart's Made-in-USA Push

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Cass Johnson, Bill Jasper and Jeff Price.

Photo By Jonah Koch

WASHINGTON — The U.S. textile industry is hoping to capitalize on Wal-Mart Stores Inc.'s "Made in America" push and the shift in apparel production back to the Western Hemisphere, which has led to an expansion of existing capacity and new textile mills.

Textile executives attending the National Council of Textile Organizations' annual meeting here last week said business has stabilized and picked up slightly thanks to a renewed interest by brands and retailers in producing apparel closer to home.

"Instead of closing plants, we are now opening plants," said Bill Jasper, who was reelected NCTO chairman and is also president and chief executive officer of Unifi Inc. "This industry has been in decline in the U.S. for the last 10 to 15 years, and over the last four years it has stabilized, and it is actually starting to grow. We are seeing growth in Central America. We are seeing programs come back into the region. We

are seeing opportunities to export that we haven't seen in the past."

Jasper said the industry had a banner year last year, posting \$53 billion in shipments, while 23 new textile mills have opened in the last three years, 11 in North Carolina alone. Among the new plants that opened were a yarn-spinning mill by Parkdale Mills, a recycled fibers mill by Unifi and a textile fiber plant by DuPont, according to NCTO.

Executives believe the momentum will continue this year and a big opportunity lies in the \$50 billion, 10-year commitment that Wal-Mart has made to purchase Made in America goods across a spectrum of products. There have been some initial discussions between the textile industry and Wal-Mart, executives said.

"Wal-Mart issued a challenge when it said it would be sourcing \$50 billion in products here," said Cass Johnson, president of NCTO, which recently merged with the National Textile Association and American Manufacturing Trade Action Coalition to present a more unified voice in Washington. "They did it because it's smart business, and I think other brands are looking more and more at Made in USA in particular."

Anderson Warlick, president and ceo of Parkdale Mills Inc., said Wal-Mart's pledge is "very encouraging."

"I think one of the things domestic manufacturers have been about is creating jobs, giving people opportunities and being able to make products here and in this hemisphere," Warlick said. "So, to have a major customer like that make that pledge, that's good for our industry."

Warlick said he has talked to executives at Wal-Mart, which is Parkdale's largest customer in its cotton consumer-products business.

Jeff Price, president of the specialty fabrics division of Milliken & Co., said there is no question the textile industry has the capacity to meet Wal-Mart's demand.

Jasper agreed, saying, "Not only do we have a lot of capacity, we'll invest more to put more capacity in."

Francisco Sanchez, undersecretary of international trade at the U.S. Commerce Department, said in an interview at the NCTO meeting that Wal-Mart has reached out to his department.

"They have indicated that as part of their commitment, they hope to include textiles and apparel goods," Sanchez said. "I think that has potential benefits for the industry, and I am very excited about Wal-Mart's program."

Asked if he thought the industry has the capacity to meet the demand, Sanchez said: "I haven't gotten in the weeds with Wal-Mart in terms of what they might be looking for, but this sector is nimble. This sector responds to opportunities, and I'm confident that they will respond to this one."

The continuing incremental shift in apparel production to the Western Hemisphere is also a positive for the U.S. textile industry. Combined apparel and textile exports grew 1 percent in 2012 to \$22.6 billion compared with 2011, according to the Commerce Department's Office of Textiles and Apparel.

"For lots of reasons, we are starting to see some product...that left us 15 to 20 years ago, migrate back into this hemisphere," Price said. "I think first of all there is a lot of what I would call value-added products like North Face high-end type of outerwear that has a lot of performance type of characteristics to it. That seems to be moving back this way....There is just a lot of uncertainty out there, and as costs start to equalize [in Asia versus the Western Hemisphere], it sure makes more sense to be in the U.S. or Western Hemisphere."

Jasper said Unifi has expanded business in Central America and in the U.S.

“We are running higher capacity utilization here in the U.S. than we have in the recent past,” Jasper said. “There is more demand from the region, not just in the U.S., but also in Mexico and Central America. We’re seeing good demand throughout the whole region.”

However, several executives warned that the uncertainty surrounding the Trans-Pacific Partnership free-trade negotiations between the U.S. and 11 other nations has impacted business investment and could undermine the momentum back to the Western Hemisphere. They contend a badly negotiated deal could devastate what little growth the industry has made in the past year.

The U.S. has proposed a yarn-forward rule of origin, supported by the domestic textile industry but opposed by apparel importers, that requires apparel be made of fabric and yarns supplied by the U.S. and other TPP countries to qualify for duty-free benefits. NCTO is aggressively ramping up a new lobbying campaign to press the U.S. government to stand by a yarn-forward rule and not allow the use of yarns and fabrics from other countries, notably China.

Sanchez sought to reassure the textile industry that the U.S. will stick to a yarn-forward rule during the negotiations.

“As we look at TPP, we want to move forward in a way that provides benefits for member nations but doesn’t create a back door for other countries that aren’t offering market access,” Sanchez said. “It’s just not fair, and that is not something that we think makes sense.”

He added that the U.S. will work on a short list of “identifiable” items that are not made in the U.S. or other TPP countries, and allow them to qualify for duty-free treatment under the agreement.

Warlick said, “With a government-run industry [as is the case in Vietnam], it is hard as a businessperson to compete with...so a lot of projects that we should be focused on making as an industry are really on hold. One thing investment money likes is certainty, and there is no certainty. So nobody is going to jump out there and take the risk associated with getting a bad [trade] agreement that pits their investment up against the Vietnamese government.”