

Import If Necessary, But Be Careful: HTC

The monthly suppliers luncheon for North Carolina hosiery executives kicked off 2004 with a you-can-do-it attitude, focusing on opportunities for a beleaguered industry.

The first gathering for 2004 was held January 22 in Hickory attracting some 70 persons. And as the name suggested, most of the attendees were suppliers.

Each luncheon is sponsored by a supplier company, most of them longtime supporters of the Carolina Hosiery Association, a THA chapter. Participants are luncheon guests of the sponsor.

Launching the presentation, "The Hosiery Industry 2004 and Beyond" were Dan St. Louis, manager of the Hosiery Technology Center, and Tony Whitener, president of Footprints International and a member of the HTC staff.



From left – Ron Brittain, Lorie Brittain, and Angie Ward of L&R Knitting.

Analyzing trends, St. Louis and Whitener acknowledged that offshore sourcing is a fact of life for the industry. But they were cautious in their appraisals.

"We're not telling you not to import ...but you need to have a long-range plan for sourcing outside the United States," St. Louis emphasized. Several observers commented on the fact that the HTC feels offshore sourcing will have a larger, and permanent impact.

St. Louis listed pitfalls in overseas sourcing: substituting yarns, poor quality, increased compliance activities by the FTC and Customs officials, and false labeling of products.

He also pressed on the difference between "the price of imported goods and the actual costs." When considering costs, St. Louis listed increased inventories to accommodate increased lead times ...response to quality issues and the cost of rework ...samples versus actual products in the shipments ...cost of trips to offshore suppliers ...and the threat to relationships with customers.



From left – Brent Hillary, Sr. V.P., Jack Owens, consultant, both of International Legwear; and, Allan Parker, PAM Trading.

St. Louis said the HTC testing laboratory, now self-supporting thanks to a legislative enabling bill, has found that socks manufacturers in China have substituted yarns and "used floor sweepings to make yarn labeled as polyester."

Still, overseas sourcing will continue to grow, Whitener commented. The presentation included photographs of the "Sourcing Zone" at the August 2003 MAGIC show in Las Vegas for U.S. retailers. Scores of pavilions from countries around the world touted apparel manufacturing.

"Foreign countries are hungry for U.S. business," St. Louis allowed. "They have become more aggressive and are willing to talk to anyone..."

As the presentation shifted to opportunities, the HTC continues to beat the drums for niche markets. "We cannot compete globally on price," St. Louis said. The ideal is to find a market that is dependent on services, it was noted.

Opportunities in 2004, it was noted, involve continued pursuit and upgrading of brands, retooling operations and marketing priorities, and exporting.

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GLOBAL OUTLOOK

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St. Louis also listed importing as an opportunity, but with caution. Sally Kay, THA president, said manufacturers should become more attuned to fashion and get away from "me-to-itis" in promotion of brands.

When Service Jobs Go, Global Leaders Have Second Thoughts

So now advocates of globalization have second thoughts.

According to reports, business, government and academic leaders who assembled recently in Davos, Switzerland for the World Economic Forum voiced doubts over the ability of the global economy to produce high-wage jobs in so-called rich countries.

It's not the loss of manufacturing jobs. The elite leaders were willing to write off manufacturing as part of the globalization movement. But when the opinion leaders saw their neighbors displaced from professional jobs, alarm bells went off.

The rising number of skilled, white-collar jobs migrating from rich countries to developing nations is raising fears that well-paid workers in developed countries will have trouble finding equally well-paid jobs in computer, design, architectural and medical fields. Even legal jobs are moving away.

Zhu Min, general manager of the Bank of China, in Davos suggested the U.S. needs "to reposition itself. Manufacturing is gone, services are going. Research and development is still there (in the U.S.). The U.S. needs to move up the development chain," said Min.

While the number of U.S. service workers whose jobs have been outsourced is small--up to 500,000 over the past three years--the potential for further job loss is immense, the economists and business leaders agreed in Davos. Brendan Barber, secretary-general of the Trade Union Congress of Britain, estimated that 2 million service jobs will be outsourced from wealthy nations in the next five years.

During the past four years, the administration has sold free trade and global integration as an economic-development strategy. Although the U.S. would lose manufacturing jobs to developing nations where labor costs are lower, the argument went, the U.S. would gain higher-paying, higher skilled jobs that poor nations were unable to master. Outsourcing makes that argument less compelling.

An executive from a company in India at Davos boasted that his firm could develop drugs for far less than the U.S. and Europe because of lower-priced research talent and bargain rates to run large-scale drug tests.

"We cannot protect the American people from reality," Hewlett-Packard Co. CEO Carly Fiorina was quoted as saying. "There are many, many qualified engineers from around the world who want to participate," she said.

Insider Magazine Features HTC, Role In Global Market

The American Prospect magazine, a widely-read publication with a liberal slant, recently carried an in-depth article on the Hosiery

Technology Center and the issues it faces as the industry continues to struggle in the global marketplace.

In a special report on the impact of Bush administration trade policies, the hosiery industry is the focus of a report by writer Ayelish McGarvey, who spent almost a week in the Hickory NC area, visiting mills and interviewing persons with longtime ties to the industry.

"When the High Road Isn't Enough" is the headline for the article which touts the industry as a longtime employer facing unfair competition. The article is an extensive overview of the hosiery center and the leadership of Dan St. Louis, its manager.

St. Louis tells the author of fiber analysis conducted by the center's testing lab on socks imported from China. In one shipment, St. Louis reports, tests showed that instead of cotton and spandex, as indicated on the label, the sock actually was made of polyester and rubber.

"In the sock industry it would be like selling someone a Ferrari with a Yugo engine," St. Louis says. "Sure you could sell that Ferrari a lot cheaper."

Ms. McGarvey writes that 15 years ago the industry was promoting strategies to compete in the global marketplace. "But without political intervention, the leanest of American hosiery manufacturers are no match for China, which boasts a huge labor force and undervalued currency," she observes.

St. Louis, who today is spending more of his time on the politics of free trade, is quoted as saying, "I realize that no matter what I do and no matter how efficient our people are, we are going to lose a majority of our industry if we don't do some about China. We feel like we have been sold out," St. Louis continues.

Readers of American Prospect learned of the history of the center, how it grew to 12 full-time employees with a self-supporting testing laboratory, and the role the center is playing in helping mills find new markets.

Phil Mullins, president of Menzies-Southern Hosiery Mills, was interviewed and indicates the failing trade policies can be laid at the feet of officials in both political parties. "I don't think our country has honest representation. I've lost all confidence in government, Democrat or Republican. They're all driven by greed," Mullins tells the author.

Mullins tells Ms. McGarvey that while his sales have fallen 57 percent and his payroll is down from 200 to 75 employees, he plans to stay in business as long as he can buy yarn from American suppliers. "If I'm going to have to import," Mullins insists, "I'm going to put the key in the door and fold up..."

INDUSTRY UPDATE

Slane Hosiery Will Continue

Slane Hosiery of High Point NC will not be closing its doors after all.

After announcing in January that it would cease operations in February, owners determined that business justified continuing production. Top management changes were to be involved with the decision.

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