

THE MOVEMENT OF COTTON PRICES THROUGH THE U.S. SUPPLY CHAIN

The Relative Effect of Cotton Prices Decreases at Each Stage in the Supply Chain



KEY INSIGHTS

- Cotton prices have a diminishing effect on prices downstream in the supply chain. As cotton is transformed into consumer textiles and apparel, other costs are successively added.
- Besides raw materials, principal costs at the yarn and fabric manufacturing stages include electricity, capital/machinery expenses, and waste.
- Labor and energy costs are important cost elements in garment assembly.
- Significant retail and product development costs include sourcing, advertising, floor space, and labor.
- The impact of changes in prices from one stage to the next stage occurs on a delayed timeframe; while cotton price increases that began in the fall of 2010 resulted in virtually simultaneous increases in yarn and fabric prices, there was a lag of nearly 11 months between peak in fiber prices (March 2011) and the peak in retail apparel prices (January 2012).

● Fiber Prices * ● ● ● ● Other Price Inputs



*The percentages depicted are general averages and can vary depending on the product being manufactured. For more detailed information, please visit: <http://www.cottoninc.com/corporate/Market-Data/Podcasts/>



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This handout is designed to provide a general overview of the cost structure of cotton supply chains, which transform raw fiber into finished apparel goods. The data described here attempt to represent costs in global supply chains that provide goods for the U.S. consumer.

Given the highly globalized nature of the supply chain that supplies the U.S. apparel market, fiber, yarn, and fabric prices are all representative of world prices. Garment prices represent average import prices for apparel arriving at U.S. ports and retail prices are average prices for the U.S. consumer. All of the outlined figures provide a general overview of cost structure; individual products may have cost structures that vary from the data presented.

Sources:

- World fiber prices: Cotlook's A Index. World yarn prices: Cotlook's yarn index, which describes international offers for 20 and 30 count ring-spun yarn prices.
- World fabric prices: Examined using average import prices for heavyweight (>200g/m²) woven fabric containing more than 85% cotton fiber content (HS code 5209). Data from the Global Trade Atlas
- Garment prices: Represented by average prices for cotton-dominant (>50% cotton fiber content) apparel imported into the U.S.
- Retail prices: Apparel CPI (less footwear) published by the U.S. Department of Commerce.
- Supporting data included from the International Textile Manufacturer's Federation
- (ITMF) Cost of Production reports. Price data for fabric, garments, and retail are seasonally-adjusted.



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