



Inventories Up, Prices Down

By James L. Lemons, Ph.D., Technical Editor

Several of the larger yarn manufacturers report their business is substantially off from last quarter. As one firm's CEO said, "Inventories are building. We are standing a lot of frames right now." Another spinner reported, "Cotton prices are up. We can't pass this on to our customers. We hope for some improvement in the third quarter." The vice president of sales for a major spinner said, "Yarn prices are down because everyone is trying to work down their inventories. Unfortunately, there just isn't any business right now."

If the strong July sales figures reported by major retailers are any indicator, things may improve by the end of this quarter. Heavy discounting and an especially good back-to-school season resulted in same-store sales being up 4.3 percent compared to the same period a year ago. Sales at Wal-Mart, Target, JC Penney, and Sears beat Wall Street analysts' forecasts.

This strong performance from most retail sectors comes on the heels of improved economic data released by the Commerce Department. Gross domestic product was up 2.4 percent in the second quarter. The Labor Department also

released figures indicating that unemployment claims have fallen to a four-month low. Taken collectively, these data seem to suggest the economy may be gathering some momentum and that the worst is over.

The Federal Reserve announced recently it would keep the Federal Funds Rate at 1.0 percent—the lowest level since July 1958. While the Fed can directly control short-term rates, it can only influence long-term rates. The 10-year Treasury Note has climbed consistently over the last month. Mortgage rates are now at their highest levels in more than a year. Rising rates may deter additional consumer spending and act to derail the fragile economic recovery.

For yarn manufacturers, the economic signs are mixed. The strong retail performance should result in a significant improvement in orders by the end of the third quarter. In terms of raw materials, polyester prices have been falling, but seem to be stabilizing. Cotton prices are up and may see additional pressure due to exports to China. It is estimated that China's domestic cotton production can't meet its demand, and in fact may fall short by as

much as 3 million bales. US producers that have supplied cotton to China in the past may see substantial export business as a result of this situation.

Coalition Keeps The Pressure On

The American Textile Manufacturers Institute recently released a report titled, "The China Threat to World Textile and Apparel Trade," which contends that if the growth of Chinese imports is not restrained, China will control up to 75 percent of the US market once quotas are removed on Jan. 1, 2005.

In response to this threat, the industry has formed a textile/fiber coalition, an alliance of the major trade associations. The coalition has sponsored a number of summits and press conferences to initiate a grassroots public education effort to alert voters to the job threats from China (See "Coalition Seeks To Save Textile Jobs," *TW*, this issue). The message to the Bush administration has taken on additional urgency with the announcement that Pilmoltex will cease operations costing roughly 6,400 jobs. The coalition is making it very clear that the Southern vote in the 2004 presidential campaign may hinge

on Bush's efforts to cap textile imports.

The coalition filed petitions with the Committee for the Implementation of Textile Agreements (CITA) for action under the safeguard provisions, which China agreed to as part of the agreement admitting it to the World Trade Organization. Petitions accepted were in the product areas of knit fabrics, cotton and man-made fiber dressing gowns and robes, and cotton and man-made fiber brassieres (See "Washington Outlook," *TW*, this issue).

Turnaround Expert Gets Burlington

Turnaround specialist Wilbur L. Ross Jr. was declared the winner of the recent Burlington Industries auction (See "Textile World News," *TW*, this issue).

In reviewing his future strategy for Burlington, Ross said, "We don't buy things to shut them down, we like to build them up." He is considering the relocation of Burlington's headquarters from its current Greensboro, N.C., location. Burlington owns the building, but not the 33-acre tract it occupies. Ross indicated he intends to keep Burlington headquartered in Greensboro, but perhaps in a smaller facility due to staff reductions. **TW**

Color 41, Leaf 4, Staple 34, SLM, I 1/16 inch, Micronaire 3.5 to 4.9

**COTTON FIBER
(BASE GRADE)**

	CURRENT	6 MO. AGO	1 YR. AGO
Spot Market, ¢/lb.	53.43	50.50	40.45
Landed Mill, ¢/lb.	59.10	55.17	48.56

**CARDED
COTTON**

Ring-Spun 100% Carded Cotton

YARN TYPE	CURRENT	6 MO. AGO	1 YR. AGO
10/1	1.16	1.18	1.17
18/1	1.26	1.28	1.27
24/1	1.37	1.38	1.37
30/1	1.48	1.50	1.49
12/2	1.56	1.58	1.57
20/2	1.81	1.83	1.83

Open-End Spun 100% Carded Cotton

YARN TYPE	CURRENT	6 MO. AGO	1 YR. AGO
4/1	0.71	0.74	0.80
10/1	0.74	0.77	0.84
16/1	0.83	0.86	0.92
18/1	0.86	0.89	0.95
20/1	0.89	0.92	0.98

**COMBED
COTTON**

Ring-Spun 100% Combed Cotton

YARN TYPE	CURRENT	6 MO. AGO	1 YR. AGO
18/1	1.38	1.40	1.41
26/1	1.46	1.48	1.49
30/1	1.53	1.55	1.55
38/1	1.84	1.86	1.93

Ring-Spun 50/50% Polyester/Combed Cotton

YARN TYPE	CURRENT	6 MO. AGO	1 YR. AGO
20/1	1.56	1.59	1.54
30/1	1.65	1.67	1.65

**POLYESTER/
CARDED
COTTON**

Ring-Spun 50/50% Polyester/Carded Cotton

YARN TYPE	CURRENT	6 MO. AGO	1 YR. AGO
20/1	1.48	1.50	1.52
30/1	1.59	1.60	1.63

Open-End Spun 50/50% Polyester/Carded Cotton

YARN TYPE	CURRENT	6 MO. AGO	1 YR. AGO
12/1	0.83	0.86	0.90
14/1	0.86	0.89	0.93
18/1	0.91	0.94	0.99
24/1	1.03	1.06	1.10
28/1	1.16	1.19	1.23

**ACRYLIC &
RAYON**

Open-End Spun 100% Acrylic (worsted count)

YARN TYPE	CURRENT	6 MO. AGO	1 YR. AGO
1/12	1.31	1.32	1.28
1/18	1.40	1.38	1.34
1/24	1.44	1.42	1.38
1/28	1.48	1.46	1.42
1/32	1.66	1.53	1.49

Open-End Spun 100% 1.2 Denier Rayon

YARN TYPE	CURRENT	6 MO. AGO	1 YR. AGO
20/1	1.67	1.69	1.69
30/1	1.91	1.93	1.93

**SPUN
POLYESTER**

Ring-Spun 100% Polyester (whites only)

YARN TYPE	CURRENT	6 MO. AGO	1 YR. AGO
8/1	1.28	1.34	1.29
16/1	1.37	1.41	1.36
20/1	1.41	1.48	1.43
22/1	1.45	1.51	1.46
30/1	1.65	1.71	1.66

Ring-Spun 100% Polyester (dyeable)

YARN TYPE	CURRENT	6 MO. AGO	1 YR. AGO
8/1	1.34	1.39	1.35
16/1	1.41	1.46	1.41
20/1	1.48	1.53	1.46
22/1	1.51	1.55	1.51
30/1	1.70	1.75	1.71

**MAN-MADE
FIBERS/
FILAMENTS**

Textured Nylon

YARN TYPE	CURRENT	6 MO. AGO	1 YR. AGO
70/2	2.85	2.90	2.90
100/2	2.75	2.80	2.80

Textured Polyester (knits)

YARN TYPE	CURRENT	6 MO. AGO	1 YR. AGO
70 denier (dyeable)	1.03-1.26	1.10-1.33	1.10-1.17
70 denier (whites)	0.95-1.18	1.03-1.25	1.04-1.22
100 denier (dyeable or whites)	1.06-1.28	1.13-1.33	1.14-1.33
150 den. (dyeable)	0.81-1.16	0.89-1.23	0.90-1.09
150 den. (whites)	0.76-1.05	0.84-1.12	0.88-1.04

Filament Polyester Partially Oriented Yarn (POY)

YARN TYPE	CURRENT	6 MO. AGO	1 YR. AGO
70 denier	0.65-0.74	0.72-0.81	0.79-0.84
100 denier	0.68-0.75	0.75-0.82	0.83-0.89
150 denier	0.53-0.63	0.60-0.70	0.69-0.76

Man-Made Staple Fiber

YARN TYPE	CURRENT	6 MO. AGO	1 YR. AGO
Polyester (1.5 denier)	0.52-0.59	0.58-0.63	0.56-0.60
Acrylic (3.0 denier)	0.82-0.90	0.84-0.91	0.83-0.88
Rayon (regular tenacity)	0.80-0.88	0.83-0.90	0.82-0.87