

# LEGGWEAR TRENDS

## & TEXTILES OF TOMORROW

VOLUME 48 NUMBER 10

SERVING THE HOSIERY AND TEXTILE INDUSTRIES EACH MONTH

A professional headshot of a middle-aged man with short, graying hair, smiling slightly. He is wearing a dark suit jacket, a white dress shirt, and a red tie. The background is a plain, light gray.

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VOLUME 48 NUMBER 10

SERVING THE HOSIERY AND TEXTILE INDUSTRIES EACH MONTH

**The only monthly publication that offers  
News About The Industry, From The Industry, For The Industry.**

*inside*

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# legislative column

by PAUL FOGLEMAN, Director, Hosiery Governmental Affairs Council

Candidates who hope to replace Gov. Mike Easley are revving up their campaigns more than a year before the 2008 elections. And on the Democratic side, heat already is being generated as Lt. Gov.

Beverly Perdue and Treasurer Richard Moore roll out competing plans for healthcare coverage.

The implications for manufacturing employers involve who pays for what. Both want to expand coverage for children. Moore's plan would cover all children. Perdue proposes subsidized coverage for parents and children in low-income families, or those making up to three times the federal poverty level if parents pay part of the cost. She would expand Medicaid coverage to parents making one and a half times the poverty level. The annual cost to the state would be \$78 million, she says. She also proposes a "healthcare exchange" which would

allow small businesses and professionals to enter a pool to leverage better rates from private insurance carriers.

Republican Sen. Fred Smith is carrying his campaign across the state with barbecues in almost every county. His primary opponent will be Bill Graham of Rowan who led a fight to cap the state gasoline tax and former N.C. Supreme Court Justice Bob Orr. Smith and Graham want to slow or halt the growth of state spending. Smith is a wealthy developer from Johnson County and is distributing copies of his autobiography to party leaders.

•••

U.S. Senator Elizabeth Dole is getting mixed reviews from North Carolina voters, according to a poll conducted by Elon University. Some 50 per cent respond they are satisfied or very satisfied with her performance as senator, while 25 per cent are dissatisfied. Another 25 per cent have no opinion. On her support of the Iraq war, only 32 per cent are satisfied.

Rep. Grier Martin of Raleigh, an Army veteran who served in Afghanistan and who practices law is pondering a bid.

Martin is the son of D.G. Martin who ran against former Sen. Lauch Faircloth. Jim Neal, a Chapel Hill investment banker and Democrat has announced he will run.

•••

The filing period for the 2008 elections opens in January and observers believe a number of legislators will not seek re-election. Some may face formidable opposition, especially in urban areas.

U.S. Rep. Patrick McHenry of the Tenth District is considered vulnerable. His key supporters have been involved in voter fraud, murders and business misconduct. A Washington blogger has revealed that McHenry and a male friend jointly purchased a house in the District and sought a homestead exemption for tax purposes. McHenry voted in Cherryville that same year.

Newspapers have reported that Daniel Johnson, an attorney, UNC graduate, military hero who lost his legs saving the life of a Navy seaman, and son of a Presbyterian minister, is considering a race for the seat as a Democrat. ■

## U.S. Retailers Dodge Role In China's Environmental Woes

Chinese officials are thinking that "artificially low" prices for their products in the U.S. are responsible for serious pollution in their country.

In the past 20 years since U.S. companies began turning to Chinese factories to churn out cheap socks, T-shirts, jeans and sneakers that millions of Americans buy in retail stores, China's air, land and water have paid a heavy price.

While China has been heavily criticized over the safety of exports—tainted tooth paste, lead in painted toys—environmental groups and the Chinese government point to the other side: the role multinational companies play in China's growing pollution problem. These companies are demanding ever lower prices.

Prices on fabrics and apparel have fallen 25 per cent since 1995, mostly due to

downward pricing pressure brought by U.S. discount retailers. One way China's manufacturers have kept their costs down is by dumping waste water into rivers.

According to the Wall Street Journal, the textiles industry is China's dirtiest. In addition to heavy metals and various carcinogens, fabric dyes may contain high levels of organic materials and thread is often dipped in starch before it is woven into materials. The breakdown of large amounts of organic compounds can suck oxygen out of rivers, killing fish and turning water into a stagnant sludge.

The Dongguan Fuan textile plant owned by Fountain Set Holdings of Hong Kong is cited as one of the worst polluters. Set on 220 acres, it sends a huge amount of cotton fabric to American stores include Wal-Mart, Target, Gap and Eddie Bauer. The factories here produce 6 per cent

of the world's knit cotton, according to analysts. The company employs 20,000 workers and annual sales approach \$1 billion.

As environmental concerns grow in China and abroad, companies like Fountain Set are taking some steps to clean up their act. Pressure also is coming from within the country as villagers complain about dead fish and worry about the effects of toxins on their crops. U.S. customers also are trying to disassociate themselves from the environmental damage resulting from practices at Fountain Set and nearby factories.

"Prices in the U.S. are artificially low," Says Andy Xie, a consultant who worked for Morgan Stanley Asia. "You're not paying the costs of pollution and that's why China is an environmental catastrophe," he asserts. ■

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# Industry Shifts Involved In Honduras Safeguard Fight

Domestic hosiery manufacturers and their Capitol Hill representative are making strong arguments for trade safeguards to control the flow of socks from Honduras.

They have been joined by a prominent Alabama congressman who took a leading role in the implementation of safeguards on socks coming from China four years ago.

Rep. Robert Aderholt, who represents the Alabama hosiery center of Fort Payne, has again thrown his support behind efforts to halt tax-free goods coming in from Honduras

Ironically, the issue has put Aderholt and lobbyist Jim Schollaert in the position of opposing a company that once was a stronger supporter. V.I. Prewett and Son, who once helped finance Schollaert's work, is being purchased by Gildan, a Canadian company that is opposed to safeguards. Charles Cole, a vice president of Prewett, chaired the Domestic Manufacturers

**Dear Mr. Priest:**

My name is James R. Evans and I have been in business since 1986 under the company name of R. Evans Hosiery, located in Connelly Springs, North Carolina. As a business owner and a citizen of the United States, I would like to express my deep concern on the pending safeguard action on imports from Honduras and other Cafta countries.

Our industry cannot stand another blow! The Cafta countries are only beginning to stream roll into what is left of our industry. I can see the writing on the wall! I know of and if you would listen to the people whom travel to Honduras and from what they report it is inevitable that they will over-power us that are remaining due to the cheap(sweatshop) labor and the tax laws that we cannot hope to even try to compete with. This country has forced our intra-structure and supply chains to be depleted to the point that we, the citizens of this country, are severely struggling to maintain manufacturing capability. Without a doubt in my mind do I believe that plans are already in process for many other yarn companies, hosiery mills and other supply sources to either shut down or move into the Cafta countries which would leave us that are remaining without a prayer to survive. This company itself has decreased employment of 50% due to nothing but imports and to me my friend this is human beings with families, homes and pride that this country and the laws that are passed is taking from them. I myself am not a quitter, for if I was R. Evans Hosiery would have been out of business many years ago and on this note I urge for the help to battle these insane trade agreements for the people and by

the people.

I am a proud veteran of the US Army, 101st Airborne Division, Special Operations and was trained by my country to prepare myself of the possibility and pride to fight and die for my country, but never was I trained nor prepared that a citizen who is trying to support their family and allow others to do so would have to fight against the country that I was willing to die for. I plead to you to make the right decision and enact the safeguards to protect the working men and women of the Textile Industry of the United States of America.

**Sincerely,  
James R. Evans  
President**

**Dear Mr. Chairman:**

This letter is submitted to rebut, clarify or correct statements made in Gildan's (HSC-41) public submission of September 19 regarding the CAFTA sock safeguard investigation of Honduran sock imports, in accordance with instructions for rebuttals et. al. contained in your Federal Register Notice of August 16, 2007.

**1. Claims of Saving Us from Asian Competition:** One of the principal arguments used by Gildan and other opponents of this sock safeguard to justify their opposition, is that they must move sock manufacturing from the United States to Honduras in order to be able to compete with Asian sock suppliers and avoid more sock investment in, and sourcing from Asia. In other words, we should destroy our sock industry in order to save it, or more

Committee of The Hosiery Association which hired Schollaert. He has resigned his THA post.

Schollaert has released a 14-point letter opposing Gildan's public submission supporting open trade with Honduras where it has extensive manufacturing operations. As executive director of Made in USA Strategies LLC, Schollaert represents several hosiery firms who have also called for safeguards. Among them are James (Rusty) Evans of R. Evans Hosiery and George Clark, president of Catawba Sox.

The issue is in the hands of Matthew Priest, chairman of the Committee for Implementation of Textile Agreements (CITA) in the U.S. Department of Commerce.

The arguments central to the position of domestic manufacturers are included in these letters.

precisely destroy the domestic sock industry in order to save the yarn industry and sock importers. This despite the fact that our yarn industry leaders are increasingly moving to outsource more yarn production overseas as well.

Gildan, a foreign company, is not concerned about saving our industry from China, but rather about maximizing their profits, and increasing their market share. Gildan has a history of relentlessly cutting labor, regulatory, tax, and other costs in order to increase their high profit margins. And they will likely move production to Asia as soon as it appears they can improve their profit margin by moving there.

In any case, competing with the 'China price' should not be accepted as a valid public policy reason for destroying our manufacturing base and moving it offshore. The 'China price' is based on illegal subsidies, export rebates, currency manipulation abusive labor practices, intellectual property theft, tax loopholes and exemptions, and fraudulent transshipment to avoid tariffs and quotas, to name a few factors.

The U.S. should instead end its tolerance of predatory trade practices from Asia and elsewhere. This would be a much better way to deal with the China problem, rather than facilitating and tolerating serious damage to the U.S. sock industry from surging Honduran sock imports. And there is some sign that this is beginning. China now faces several challenges at the WTO and elsewhere to its flagrant use of subsidies, currency manipulation, and intellectual property theft. China also faces rising labor and shipping costs, and an environmental crisis, among things, which

should tend to raise the 'China price' in the future to aid U.S. producers.

## 2. Gildan begins their Public Comment with a declaration of:

*"a commitment to manufacturing in CAF-TA-DR countries and the United States to supply the U.S. market",*

In fact, Gildan quickly closed their main sock manufacturing base in Mount Airy, NC within a year of acquiring their first domestic sock producer, going from 1,100 sock manufacturing employees in the Mount Airy, NC/Hillsville, VA area, to less than 200 sock manufacturing employees in Hillsville VA in less than a year. This occurred in spite of Gildan/Kentucky Derby statements after the acquisition agreement that there would be minimal short term effect from the deal on its U.S. plants or work force. And Gildan is even now telling the financial community in Canada something else entirely:

*"Mr. Sellyn said Gildan is now looking at Asian countries as possible sites to build new manufacturing facilities." Exhibit A-Toronto Globe and Mail September 19, 2007.*

**3. Gildan's Tax Structure:** While cost-cutting skill is a valid competitive factor, it can be taken to the extreme, where it no longer serves the public policy interests of CAFTA-DR, which interests Gildan reminds us of in their Public Comment. CAFTA – DR was ostensibly designed to serve the public policy interests of all signatories, including the United States.

For example, CITA should carefully consider whether the tax avoidance structure adopted by Gildan serves the public policy interests of the CAFTA-DR, or our national public policy interests. Promoting 'free rider' corporations who do not pay their fair share of the tax revenue of nations whose markets they are exploiting, despite extremely high profits, is not one of the CAFTA-DR objectives. This is especially true when their U.S. competitors do not have access to a similar tax avoidance structure.

Much of Gildan's financial and market share success is due to their unique tax avoidance structure, with a sales office as a Canadian company in a tax haven in Barbados. This allows them to exploit the extremely generous terms of the Canada-Barbados tax treaty, which is not available to U.S. companies, and use the margins thus attained to apply heavy downward price pressure to U.S. tax paying competitors. Gildan paid a 4% income tax rate in 2006. And Gildan's Chief Financial Officer has projected a below - 4 percent tax rate for 2008, in answer to questions at the Q3 2007 Gildan Activewear Earnings Conference Call

on August 2, 2007 – Exhibit B.

4. Gildan asserts that "the domestic sock industry has restructured its supply chain to better adapt to global competition...many U.S. producers have concluded that 100% vertical integration in the U.S. is no longer an option." This may be true for some companies which have embraced the off-shoring business model. But is a false description of "the domestic sock industry". Domestic sock companies representing the majority of domestic sock manufacturing capacity in the United States have not "restructured their supply chain to incorporate sourcing from Asia, direct investments in Asia, and/or finishing in Honduras".

Most domestic producers have instead

sought and obtained sock safeguard limits on Chinese sock imports until 2009, just as they now seek a sock safeguard on all Honduran sock imports. The overwhelming preponderance of public comment received from the U.S. sock industry community by CITA in response to their Federal Register Notice re this safeguard case reflects that reality, and belies Gildan's claims.

**5. Including Socks Knit in the US, Finished in Honduras:** Gildan again speaks for a minority of the sock industry when it says, "a significant portion of socks imported from Honduras are knit in the United States and subject to sock toe closing operations in the

*(continued on page 11)*

## Rep. Aderholt Pushes Safeguard On Socks Imports From Honduras

U.S. Rep. Robert Aderholt, Alabama Republican representing the Fort Payne hosiery manufacturing center, has announced the U.S. government will proceed to implement safeguards to protect the socks industry from surging imports coming out of Honduras.

Rep. Aderholt three years ago took the lead in the implementation of safeguards against imports from China.

U.S. Commerce Secretary Carlos Gutierrez called Aderholt in August to inform him sock safeguards proceedings would proceed immediately under the Committee for the Implementation of Textile Agreements (CITA).

"CITA has decided to self-initiate a sock safeguard process against Honduras," Aderholt said. "For some time I've called on the Department of Commerce to take action protecting the domestic sock industry against unfair foreign competition. Secretary Gutierrez's call is a much-needed development that promises action against these predatory imports," he added.

CITA has the responsibility for safeguard implementation. It was established in 1972 and includes representatives from the Departments of Commerce, State, Labor and Treasurer and the U.S. Trade Representative.

"The numbers don't lie," Aderholt continued. Imports have been on the rise while domestic production as declined. A sock safeguard represents one way to insure U.S. manufacturers are given an opportunity to adjust to new market conditions and compete on a level playing field, he added.

According to recently revised U.S. Census data on domestic socks, production dropped by 19.6 percent in 2006. In the first quarter of this year, domestic production dropped by another 13.5 per cent. At the same time, import data from the Department of Commerce indicates that imports from Honduras increased 50 per cent last year. Worldwide imports have grown by 14 per cent over the same period.

As a member of the powerful House Appropriations Committee, Aderholt included a provision in an appropriations bill for the Department of Commerce that provides better reporting on action taken on the Central American Free Trade Agreement. The bill has passed the House and has been sent to the Senate.

Aderholt also indicated his patience with the Bush administration is wearing thin.

"The administration has had several opportunities to keep us informed about these Central American countries," he said. "With the frustration level as it has been, we need to get a report on this and find out what is going on," he continued.

Language in the bill directs the U.S. Trade Representative and Commerce Department to report to the House Appropriations Committee on the status of their promises to Aderholt within 30 days of its passage. The USTR also would be required to make quarterly updates to the committee. ■

# Made In USA Draws Buyer Attention

Exhibitors in the Made in USA pavilion at the recent Magic Show saw increased buyer interest in domestically made products. The exhibit of 24 hosiery and apparel manufacturers and suppliers also drew more qualified buyers and generated more quality leads for many exhibitors than the previous two shows.

The pavilion, which housed exhibits by 11 hosiery and apparel

interested in end products than the yarn that goes into them. Jimtex makes ecologically sustainable yarn from recycled cotton and recycled soda pop bottles. Hardy displayed knitted garments made with the company's yarns.

"Most were looking for the finished product. I generated a number of leads to pass along to my customers," said Hardy.

Although the Magic Show

people contact the company about exporting its products.

"I certainly feel there was more interest in made in America," says Measmer. "Everyone that sat down with us said 'Do you import?' and we said 'no.' And, they said 'Great.'"

Tina Evans of R. Evans Hosiery in Connelly Springs, N.C. said that the green movement is playing a big part in causing more companies to look to the United States rather than abroad for quality products. Her company exhibited its line of team sport products and new styles of children's and fashion hosiery,

"People are becoming more alert to the things the foreign market is doing such as using lead and formaldehyde," said Evans. "When you start talking about baby rattlers and toys, it opens the eyes of the ones who are paying

for the products."

Al Parks of Divine Dzion Hosiery in St. Louis, MS said he talked with people who were more concerned with the quality and turn-around time U.S. manufacturers can provide than with the cost.

"A lot of people expressed that they had problems buying overseas, and we take that risk out by making them in the U.S.A. People who have concerns with getting their products from point A to point B are willing to pay a little more if they can get it made in a timely manner, and it isn't much more," says Parks. "A lot of people want to be able to visit the plant. If I am spending \$100,000, I want to know I can go visit and see who is making the products, and you can do that here. Again, we take all the risk out of buying products." Divine Dzion makes sheers and specializes in panty-

*(continued on page 14)*

***"Several folks said this was better than the other two shows put together because people had gotten to know us through the other two," said Dan St. Louis of the Hosiery Technology Center. "We had more traffic and it was really good traffic."***

manufacturers and 12 fabric and yarn companies, is expected to generate more than the \$500,000 in sales generated by the February show.

"I think I saw a few less people, but the quality of my meetings was much better this time. I came back with better quality leads," explained Jerry Collins, vice president of sales for Twin City Knitting in Conover, NC

The August show was the third time the North Carolina-based Hosiery Technology Center organized a contingent of hosiery, apparel, yarn and fabric companies to market their products under the Made in USA banner. The group had large showroom spaces in which the manufacturers and suppliers set up their displays.

The general opinion was that the August show was better for Made in USA exhibitors than the last two.

"Several folks said this was better than the other two shows put together because people had gotten to know us through the other two," said Dan St. Louis of the Hosiery Technology Center. "We had more traffic and it was really good traffic."

Elton Hardy of Jimtex Yarns said buyers seemed to be more

did not designate the contingent as good of location on the show floor as it had during the past two shows, the exhibits still attracted buyers, primarily because organizers had enhanced marketing. Made in USA produced a 60-second video that was shown five times each day – ten minutes before each of the fashion shows. It also displayed two large meter boards right inside the door of the exhibit hall directing buyers to the pavilion. The pavilion had a new look. The American flag was prominently displayed on apparel exhibits.

The marketing efforts paid off with more buyers visiting the booth seeking American made products.

"It was good timing. The toy recall was the week before. And, a lot of people came in saying 'I need to find USA goods,'" said Dan St. Louis of the Hosiery Technology Center.

Wells Hosiery in Asheboro, NC, which showed its seamless apparel, hosiery and cut-and-sew products, came back with some good contacts and "unusual opportunities in hosiery, not just trouser socks and tights," says Linda Measmer. Since the show, Wells has also had a number of



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## Soldiers Wearing N.C. Socks

# Hosiery Industry Cashing In On Military Contracts

As foreign competition continues to confront the domestic hosiery industry, the U.S. Military is helping to keep hosiery machines running in North Carolina.

North Carolina manufacturers are making all the standard-issue socks for all branches of the service, according to Dean Allred of the Hosiery Technology Center in Asheboro, N.C. They also make other socks for the military as well as ones sold in the military exchange stores.

Apparel and textile manufacturers around the state are making products for the military, but the hosiery industry alone is bringing in millions of dollars from government contracts. Although there were no statistics available of the exact amount of money the contracts are bringing in, Dan St. Louis of the Hosiery Technology Center in Hickory, N.C. says, "It is multi-millions of dollars."

Foreign-made socks are no competition for domestic manufacturers when it comes to socks issued to members of the military. The law requires that any item used for military uniforms has to be 100 percent made in the United States. Thanks to the Berry Amendment, that includes the raw materials used in them. It does not include items sold in military exchange stores.

While only a handful of N.C. hosiery manufacturers now hold government contracts, the playing field is broadening as more attempt to take a piece of the military pie. The Hosiery Technology Center is working in conjunction with Teresa Bouchonnet of the N.C. Military Business Center to help companies bid for government contracts, both military and

other government business.

Allred, who is over government procurement for the Hosiery Technology Center, monitors state, federal and local government procurement and posts opportunities for manufacturers on the Hosiery Technology Center's Legsource website. He also emails the information to a manufacturing database. Allred works with Bouchonnet to help interested manufacturers bid on government contracts. Bouchonnet is a technical expert on military contracts.

"I help manufacturers find bids and help them with the technical part. I help them with all the steps from registering to bidding on government contracts. And, once they get the contract, I help them with any issues that come up," explains Bouchonnet who works with textiles, apparel and hosiery companies. "I match companies up so they have a stronger chance of winning contracts. It is not that easy to make government bids."

"It is looking really good for the sock industry," adds Bouchonnet. "Right now, North Carolina is making all the socks for the entire military and a lot of the yarn is also made in North Carolina. But, there are still companies going out of business, and Dean and I are trying to stop that."

Allred and Bouchonnet work with the national association for the Sewn Products Industry, SEAMS, to help apparel and textile manufacturers to keep them abreast of government contracts for those industries and help them bid for them.

"About 40 hosiery manufacturers have taken interest in the government contracts and a good 25 have pursued the business," says Allred.


Five N.C. hosiery companies hold government contracts to make socks for the military. They are Pickett Hosiery, Elder Hosiery and Special T Hosiery Mills in Burlington, and Thorlo in Statesville and Catawba Sox in Newton.

Although competition for the contracts has driven down the profit somewhat, manufacturers say military contracts are still very good for their bottom lines. One hosiery manufacturer said the business is probably responsible for keeping his company open.

"Everybody is hungry for the business and that is causing the price to go down," said a manufacturer who asked not to be named. "Then, they find a way to get around the specs and use cheaper yarns to the point the price gets lower and lower."

The government is primarily interested in socks with antimicrobial and wicking properties and fire retardant materials, says Bouchonnet.

"The government gives the requirements which may be in moisture wicking, fire retardant or antimicrobial," explains Allred. "It is up to the manufacturers to come up with the right materials and the right product at the right price. Once it becomes a long-term issue item, then there are specific specifications written that mandate what raw materials can be used."

"The military has testing labs the same as commercial labs that may do abrasion testing, and testing for wicking and antimicrobial," says Allred. 



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# State Of Hosiery Industry: Changing And Still Viable

After fighting the odds against low-cost overseas competition, independent domestic hosiery manufacturers in the U.S. are moving to specialized, high-end products.

The segmentation of the hosiery industry is more pronounced. Large operations are consolidating and turning to outsourcing to remain in the supply chain for the mass merchants, Wal-Mart, Target, Costco, Sears, and the like.

Medium and small companies, often with the help of the Hosiery Technology Center, are creating new products for specialty outlets.

A survey of the hosiery industry this fall had some executives reporting that business has improved after tough period. More are moving to independent stores “because they pay on time.” Even so, the market remains extremely “price sensitive,” according to responses.

The state of domestic hosiery manufacturing continues to be challenging. But not hopeless, according to comments from executives. And while reports of market niches seem to be cliché—“everyone says that”—some mills insist their

survival and success is due to a new client base, either for medical products or high-fashion hosiery.

“Mom-and-pop stores are not excited about overseas production,” said a North Carolina manufacturer. These stores, he said, want quick shipments and smaller orders.

The customer almost wants the product sold before they issue a purchase order, a producer was quoted as saying.

Even larger department stores are say-

ing long-time yarn producers are still listed as key suppliers, among them Regal, Nilit, National Spinning, Parkdale, Frontier, Sapona, McMichael, and Ken Smith.

Jon Shugart of W.Y. Shugart and Son Inc. of Fort Payne, AL, cited an issue that

*“There are some yarns and other materials that we simply can’t buy here anymore.”*

other producers say they are addressing: a shrinking supplier market.

“There are some yarns and other materials that we simply can’t buy here anymore, which requires better planning and longer lead times,” Shugart observed. “In other cases, even U.S. suppliers are carrying inventory of some yarns so we must start programs earlier,” he continued.

A trend among fine-gauge producers of pantyhose and tights is the demand for products that deliver function. Consumers

*With the help of the HTC, manufacturers are moving to specialized high-end products.*

want products that perform “true wearer benefits”, said a spokesman for a leading independent mill. Those benefits include comfort and appearance (fashion).

Another independent fine-gauge manufacturer said the fall 2007 season has been good for capris, tights and full-length pantyhose. The advantage of being a domestic producer, he said, is the ability to ship orders within four or five weeks.

The segmentation of the domestic socks industry is being driven by movement

*Healthcare products and military contracts keeping some sock mills viable.*

into specialty markets. One greige manufacturer said he has purchased two new five-inch 120-needle knitting machines to provide diabetic socks for the healthcare market. Another marketer of healthcare socks said his growth is being fueled by exports to Japan and the United King-

dom. Healthcare socks and slipper socks also are being shipped directly to hospitals that are contracting with manufacturers.

Ron Brittain, president of L&R Knitting, confirmed the trend toward more specialized products. He has experienced

more demand for in-grain products and “things that no one else wants to do.”

Long regarded as a craftsman and quality-driven greige manufacturer, Brittain says business is good and he has purchased new knitting equipment.

L&R Knitting produces men, women, and youth products and ships casual, dress, outdoor, knee-high, over-the-calf, anklet, quarter socks, footies, with link-and-link, true rib, jacquard and welt-top construction.

Among the small and middle-sized hosiery companies interviewed, only two mentioned Wal-Mart as a customer and

that was for a specialty brand of outdoors socks. Otherwise, the constant theme is quality, nimble, quick-turnaround, performance-driven products.

North Carolina mills, mostly in the Burlington area, are shipping military socks in increasing volume. Among them are Special-T, Elder Hosiery and Pickett Hosiery. The military procurement website also shows contracts awarded to Thorlo Inc, and Catawba Sox Inc.

Among the challenges faced by mills—and they are formidable—is the lack of trained employees. Owners are concerned about the aging workforce and the inability to attract younger veterans of hosiery manufacturing. Many have enrolled in community colleges to prepare for new careers. Yet wages in hosiery companies are competitive.

An industry challenge is to change the image of hosiery as viable option and that of manufacturing in general, some insist. ■

## Industry Shifts Involved In Honduras Safeguard Fight..... from page 7

Honduras, therefore a safeguard would even damage the very same domestic sock industry that the government is attempting to protect". Once again, companies representing the majority of domestic sock manufacturing capacity in the U.S. do not conduct their finishing operations in Honduras, and therefore seek a full sock safeguard on all knit and/or finished sock imports from Honduras.

Even in Fort Payne, AL, outside of Prewett/Gildan, there are more sock mill employees from companies which support a sock safeguard on all knit and/or finished socks from Honduras, than from companies which do not. Prewett has about 1300 employees but there are about 2,500 other sock mill employees outside the Prewett group in the Fort Payne area. Also the official Census Bureau numbers for domestic sock production represent only socks finished (i.e. toes closed) in the United States. Domestic producers are seeking the re-imposition of pre-CAFTA tariff levels on all sock imports from Honduras, including socks knit in the U.S. and finished in Honduras, precisely because most domestic sock manufacturers will benefit from such a safeguard.

Only 3 domestic sock producers out of the 32 who submitted Public Comment expressed any concern for exempting finishing operations in Honduras from the safeguard. Also, since the use of Form TL3-40 for socks knit in the U.S. and finished in Honduras was discontinued with the advent of CAFTA, there is no way for the U.S. government to know what sock imports are knit in the U.S. and finished in Honduras, and what sock imports are knit and finished in Honduras.

6. Gildan asserts that up to 60% of the value of socks knit in the CAFTA-DR region is derived from U.S. inputs. First of all, what is at issue in this case is socks from Honduras, not socks from the CAFTA-DR region.

Secondly, the percentage of U.S. inputs, whatever they are now, will in the future decline rapidly - as we saw happen with CBI-NAFTA Parity, and NAFTA. We already see U.S. yarn companies moving to Honduras. And producers in Honduras will eventually seek the lowest cost inputs, regardless of country of origin. Gildan itself has threatened to move to Chinese yarn producers if U.S. tariffs erased the cost advantage of using U.S. yarn. And U.S. yarn spinners have already begun to move their spinning mills to Honduras, thus reducing the U.S. content of their yarn products.

**7. Workers Rights:** Gildan reports receiving "accreditation from the Fair Labor Asso-

ciation on June 13, 2007 in recognition of our code of conduct in our offshore manufacturing facilities. " What Gildan did not report points instead to a different record for its code of conduct regarding workers rights. Womens Wear Daily, of July 16, 2004 reported that Gildan was closing its El Progreso sewing plant in Honduras and laying off 1,800 workers. While Gildan claimed that the El Progreso factory was no longer cost-effective, a Toronto-based worker' rights group, Maquilla Solidarity Network, charged that the 2004 El Progreso plant closing was an effort to avoid unionization. This same plant was the subject of earlier reported allegations claiming that Gildan fired workers from El Progreso in 2002 for trying to form a union.

The Quebec Solidarity Fund, affiliated with the Quebec Federation of Labor, the largest stockholder in Gildan at the time, in November 2003, divested its 11.2 percent stake in Gildan after conducting its own investigation of the 2002 allegations of union-busting. It concluded that Gildan fired about 38 workers for union activity in 2002, which Gildan denied. Exhibit C, Womens Wear Daily, July 16, 2004, 'Gildan Closing Honduras Plant'.

Furthermore, the Montreal Gazette, per Canada Press Newswire, reported on February 3, 2003, that Gildan CEO Greg Chamanandy backtracked from a public commitment Gildan issued in 2002, that it would implement a United Nations-recognized standard to govern working conditions and unionization rights for its Honduran workforce. Exhibit D, Canada Press Newswire, February 6, 2003, 'Union Investor Seeks Inquiry of Gildan for Labour Practices in Honduras'.

8. Only a small percentage of total U.S. cotton and yarn exports to Honduras is used in Honduran sock knitting mills, as Gildan's own statistics demonstrate. U.S. yarn exports to Honduras are up only 19.4% in YTD 2007 over YTD 2006. This shows that the sharp increase in Honduran sock imports of 75% YTD 2007 over YTD 2006 has had a much smaller impact on the statistical base of total U.S. yarn use in Honduras, which has increased only 19.4% over the YTD period.

The low level of hosiery imports from Honduras cited by Gildan as not claiming CAFTA benefits also calls into question whether the U.S. has an adequate monitoring capability over Honduran hosiery imports, and whether Asian or Pakistani yarn is being exported to Honduras and used in Honduran sock mills for socks exported to the U.S. market and improperly claiming CAFTA-DR benefits. U.S.

Customs should examine this.

9. Gildan states that CITA's CAFTA-DR textile safeguard process is subject to the Administrative Procedures Act. This issue has been decided recently by the U.S. Court of Appeals for the DC Circuit, which ruled in 2005 that CITA's decision making process did indeed enjoy the foreign affairs exemption from the requirements of Administrative Procedures Act. There was no need for this exemption to be explicitly authorized in the CAFTA-DR implementation legislation, its legislative history, or the Statement of Administrative Action as Gildan suggests.

10. Gildan urges CITA to embark on a laborious and exhaustive investigative process that would raise the bar to impractical heights and result in unreasonable prolongation, delay and complexity of the process. This is a common tactic of opponents of textile safeguards, especially those with deep pockets, Washington law firms, and a readiness to utilize the courts as an additional forum to achieve their ends. CITA self-initiated the textile safeguard process with China in 2005 and clearly has the authority to do so in this case, as explicitly authorized and agreed to in Annex 8.3 of the CAFTA-DR Agreement. CITA should not be intimidated by the implicit threat to be taken to court if it approves imposition of this Honduran safeguard .

11. Gildan's reference to House Report 189-182, (sic), as evidence that Congress intended for CITA to adopt the unreasonable and self-serving requirements, procedures and standards advanced by Gildan, is an attempt to stretch routine report language into something that it is not. There is nothing in House Report 109-182, which accompanied the CAFTA-DR implementing legislation out of the House Ways and Means Committee, that CITA does not comply with.

12. In attempting to raise the bar for the safeguard process, Gildan would have CITA examine in detail all the required elements and factors of causation of "serious damage" in a manner more rigorous than that which was rejected by the WTO during safeguard deliberations under the previous WTO regime of the Agreement on Textile and Clothing, and "must reject the safeguard if those factors are not properly established and fully supported in the record. This Gildan demand totally ignores the clear language of CAFTA-DR which states, after listing the economic variables to be examined , that "none of which, either alone or combined with other factors, shall necessar-

*(continued on page 12)*

# HTC To Become Nucleus Of New Entity: Center For Emerging Manufacturing Solutions

The 18-year old Hosiery Technology Center, based in Hickory, NC, will be the nucleus of a new comprehensive operation to serve traditional manufacturing as it adapts to 21st century priorities.

Catawba Valley Community College, which has supported and nurtured the HTC throughout its history, has announced the creation of a Center for Emerging Manufacturing Solutions (CEMS) which will operate under Dan St. Louis, manager of the HTC since its inception in 1989.

Dr. Garrett Hinshaw, president of CVCC, made the announcement at a gathering of business and civic leaders attending an economic panel sponsored by the Catawba County Chamber of Commerce. In addition to hosiery and textiles, CEMS will have an outreach to furniture, packaging and food industries, he reported.

The CEMS concept is conceived to bring traditional manufacturing into the new era of changing technologies, global marketing, and product innovations. The center will expand the services which have driven the success of the HTC: personnel training to deal with new technologies, research and development including prototyping, lean manufacturing strategies, sales and marketing, and product testing.

CEMS will be located in expanded facilities, which also will house the N.C. Center for Engineering Technologies. Hinshaw indicated the transition would take place by the first of 2008.

"This will give us the capabilities to expand our services to the hosiery industry and their suppliers," St. Louis said. "This

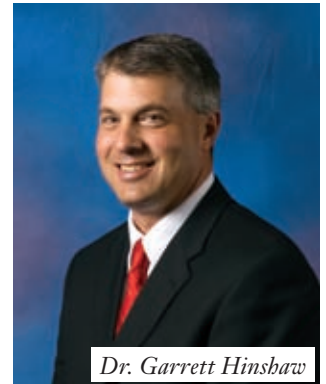
will bring us up to a new level as an industry-driven service organization.

Hinshaw said that initial funds for the expansion will come from a \$2 million grant from the U.S. Department of Labor. The objective is protect and upgrade thousands of jobs in manufacturing.

"The success of the Hosiery Technology Center is a model for 21st century manufacturing service," Hinshaw said. He noted that the economic impact of the HTC during 2006-07 was \$23 million. The HTC budget from state and federal sources was less than \$1 million.

Hinshaw said the hard work of St. Louis and his associates in the HTC has set the standard for service to manufacturing. The center's program has included yarn manufacturing, marketing services to apparel companies, and equipment distributors. The HTC is in the process of developing a laboratory to assist the emerging seamless industry.

The HTC staff has assisted hosiery manufacturers adopt new lean manufacturing strategies and even helped companies relocate to new facilities. The HTC has a fulltime sales coordinator helping mills export products. ■



Dr. Garrett Hinshaw

## Industry Shifts Involved In Honduras Safeguard Fight..... from page 11

ily be decisive".

13. Gildan asserts that a 9 percent increase YTD July 2007 in global sock imports is not a rapid increase. It should be noted that global sock imports are already at an extremely high level (1.727 billion pair) during the first seven months of 2007, and cannot be expected to show exponential growth. It is the Honduran sock imports which are at issue in this case and they are increasing at the rate of 75% during this same seven month period, and constitute 9 percent of global imports already.

Also the present average unit price of sock imports from Honduras is \$3.89 a dozen pair, compared to the average unit price of sock imports from China of \$4.42 a dozen pair, for the 12 months ended June 2007. While the average unit price of sock imports from Pakistan is lower, Pakistan does not compete with domestic sock mills for the quick turn-around trade which domestic mills depend upon, while Honduras does compete for this quick-turn trade.

14. **Growing Gildan Market Shares of U.S. Knit Apparel and Yarn Market:** Gildan aims to be the dominant low-cost supplier of t-shirts, underwear, fleece and socks to the U.S. market. Gildan already claims to own 48% of the U.S. T-shirt market, which they supply from their off-shored knitting mills in Honduras and elsewhere. They are

also expanding knit underwear and fleece production offshore. Gildan is moving into the yarn spinning industry as well with joint ventures with Parkdale and Frontier, the two largest U.S. yarn producers. They claim to account for a high percentage of all U.S. grown cotton consumed in the U.S. And they will dominate the U.S. baby sock industry with over 90% of U.S. baby sock production once they acquire Prewett, having already acquired the other principal baby sock producer, Kentucky Derby.

While the opponents to the sock safeguard claim that U.S. interests overall would be hurt from the safeguard, the opposite is true. CITA has an opportunity to apply a remedy to surging sock imports from Honduras which are reducing and limiting the benefits of CAFTA-DR to an ever smaller circle of U.S. beneficiaries and expanding the losses to an ever wider circle of U.S. victims.

Respectfully submitted,  
Jim Schollaert  
Executive Director  
Made in USA Strategies ■



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# Industry Briefs

## Southern Hosiery Closes Doors

Southern Hosiery Mills, a fixture in the U.S. socks industry for more than 60 years, has ceased operations.

The Hickory-based company closed its doors Friday, October 5. Some 100 persons were employed at the time, according to reports.

Southern Hosiery Co. and its sales arm, Menzies-Southern, were founded in the 1940s and was operated by the late W.B. (Bill) Menzies and B.W. (Pete) Menzies, brothers whose family had deep roots in the Hickory area business community. Peter Menzies, grandson of Pete Menzies, was president of the company.

The company manufactured high-end products for men, women and children and also had a double-knit division. The decision to close was made by the board of directors, it was reported.

## Forrest Drum, 78 Was CVHA Head

Forrest Drum, whose career with the hosiery industry extended over four decades, died October 9 at his home in Newton. He was 78.

Drum worked with Kellwood for many years and retired as vice president of sales for Catawba Sox Inc. of Newton. He was a past president of the Catawba Valley Hosiery Association which later became the Carolina Hosiery Assn. Survivors include his wife, Peggy Rudisill Drum, three daughters and five grandchildren.

## PowerSox Sponsors Snowshoe Championship

PowerSox, an owned brand of GoldToeMoretz, has agreed to be the title sponsor for the U.S. National Snowshoe Championship for the next three seasons, according to Ander Horne, vice-president of marketing, for GoldToeMoretz.

The competition will take place March 8-9 at Snowbasin Resort in Ogden, Utah. Horne said the event some of the finest winter endurance athletes from around the country and also Canada, Mexico and France.


PowerSox has been a product sponsor since the competition began in 2001.

## Nilit Opens China Facility

A new Nilit Nylon Technologies facility will open in March 2008 in Suzhou, China, Nilit officials have announced.

"The Chinese manufacturing market is a critical growth region for Nilit," observes Molly Kremidas, Nilit's sales and marketing manager. "Our new facility in Suzhou will allow us to meet that customer demand from within the country, as well as to expand our presence in this important market, she added.

Nilit's branded yarns are in high demand in the intimate apparel, bodywear, legwear and activewear industries. China is home to a growing manufacturing sector producing these items.

Nilit also had reserved exhibit space for the Shanghai New International Expo. 

# Prewett-Gildan Transaction Adds To Top Hosiery Tier

The acquisition of V.I. Prewett & Sons Inc. of Fort Payne, AL by Gildan Activewear Inc. has resulted in the further segmentation of the U.S. hosiery industry, observers say.

Gildan, which purchased Kentucky Derby Hosiery Mills in 2006, now is poised to be a market leader with over \$350 million in annualized sales. According to the official report from Gildan, Prewett sales were about \$190 million a year.

Gildan announced that the purchase price for Prewett was \$125 million, with "further contingent payments of up to \$10 million." The purchase is to be paid in cash and will be financed out of Gildan's revolving bank credit facilities. Gildan paid \$45 million for Kentucky Derby which had operations in Hickory and Mt. Airy, NC. Those operations have been shut down.

Last year, Prewett consolidated with several Fort Payne, Alabama mills that had been contract suppliers. Owners of these mills accepted stock in Prewett as compensation.

The company has been Fort Payne's largest employer with a payroll of more than 1,300.

Prewett President Bobby Cole said no immediate changes are planned. But he also noted that "future business along with cost efficiencies will dictate long-term plans."

Cole said that with the trend toward consolidation in the hosiery industry, Prewett selling to Gildan should not be a surprise. "The fact that we are one of the five largest sock distributors in the country and the only one that is not publicly owned or owned by a venture capital group made it inevitable that we would be a target for a buyer," he added.

Gildan's version of the transaction was the combination of the two companies will help combat against Asian imports.

Based in Montreal, Canada, Gildan has over 15,000 employees worldwide, including those in plants operating in Honduras and the Dominican Republic. Genevieve Gosselin, a spokesperson for Gildan, said a

second plant is on the drawing board for Honduras, but possible tariffs on sock imports coming into the U.S. could scuttle those plans.

The safeguards on goods coming out of Honduras, including proposed tariffs, has been pushed in Congress by Rep. Robert Aderholt whose district includes Fort Payne. Aderholt insisted the safeguards will provide U.S. manufacturers "with another tool to compete on a more level playing field."

It was in May 1953 when V.I. Prewett Sr. and his son by the same name began a hosiery operation in their garage. Prewett Sr. had been superintendent of manufacturing at a Fort Payne mill. Prewett Jr. had just graduated from Auburn University with a degree in engineering.

Like so many hosiery companies in the South, Prewett Mills was a family-run company that began with used knitting machines. Production initially was sold to Prewett Sr.'s former employer. There were six full-time employees and Prewett Jr.'s wife, Lala, handled quality control.

V.I. Prewett Sr. died in 1975 and his son continued to build the family business into one of the largest hosiery companies in the nation. Prewett Jr. died in 1996. ■

## Dates For 2008 Introductory Hosiery Courses Announced

The Hosiery Technology Center has announced 2008 dates for its popular introductory workshops for the manufacture of socks and sheer hosiery.

Hosiery 101 includes instruction on the basics of making a knitted product and the structure of hosiery and socks. Dates for this program are Wednesdays, March 5, May 14, September 10, and November 12.

Hosiery 102, which offers more detail in the properties of yarn and dyes, and the technology behind the process, will be held on Thursdays, March 6, May 15, September 11, and November 13.

All courses will be held at the Hosiery Technology Center on the campus of Catawba Valley Community College in Hickory NC. The instructor is Dan St. Louis, director of the HTC.

The course has been popular with retailer buyers and persons entering hosiery sales. For additional information, contact the HTC at 828-327-7000 extension 4265 or email at [legsource.com](mailto:legsource.com). ■

## Made In USA.....from page 8

hose for women of color.

Buyers were surprised to learn that so much hosiery and apparel is still being made in America.

"I think people came in because they were surprised to see so many American manufacturers together," said Ellick Clark of Catawba Sox in Newton, N.C. The company exhibited its sports and technical athletic socks.

"We met people who said they do sourcing and that they were looking for manufacturers to do more quality goods instead of price points. It is good they recognized that they could get that with us. We are all quality manufacturers. We can hit the price points, but we are more about quality. And, it is worth paying a little more to get quality.

Adds Jerry Collins of Twin City Knitting who has participated in the USA pavilion in all three Magic Shows: "The majority visiting the booth would like products made in the USA but were unaware that option was there." Twin City exhibited its athletic socks and customization options.

The Made in USA pavilion housed competing companies, but they worked together to promote domestic products.

"We saw a lot of folks selling for other companies that were their direct competitors, mainly in apparel," says St. Louis. "For a buyer to come in and get that kind of treatment makes them feel special.

Apparel manufacturers exhibiting in the Made in USA pavilion were: A.S. Tees Manufacturing, BBManufacturing, Cal Cru, Carina Clothing, Sewell Clothing, and Tour Image. Fabric, fiber and yarn companies were American Fabrics International, Asheboro Elastics, Contempora Hosiery, Hamrick Mills, American & Efrid, Arch Chemicals, Carolina Mills, Huntingdon Yarn Mill, Jimtex Yarns/Eco2 Cotton, National Spinning, Tuscarora Yarns, Unifi and Wellman. Hosiery manufacturers were: Catawba Sox, Divine DZion, R. Evans Hosiery, Twin City Knitting and Wells Hosiery. ■

# LEGWEAR Trends

& TEXTILES OF TOMORROW

## 2008 Editorial Calendar

### JANUARY

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**DOMESTIC MANUFACTURING OUTLOOK:** U.S. mills have been called upon to fill in orders when off-shore products are delayed on arrive with problems. But are U.S. retailers looking for more assurance from domestic vendors? Also, a report on the outlook for domestic manufacturers, including reports on yes, new startups. Fashion mills are gearing up for spring. Hosiery Technology Center launches new phase with move to new facilities and development of a seamless industry support program.

### MARCH

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**RETAILING IN COMPETITIVE ENVIRONMENT:** Department stores, specialty chains, niche retailers and mass marketers are changing. How are merchandising strategies affecting hosiery and textiles companies? Is "made in the U.S.A." a label that has a niche? Role of the technology centers in developing U.S. markets reviewed.

### MAY

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**FALL PREVIEW:** Overview of trends that affect hosiery products in the fashion arena—as an accessory item and as a lifestyle component. Innovative yarn structure, colors, packaging and merchandising trends included in advertising and editorial coverage.

### JULY

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**TEXTILES AND HUMAN RESOURCES:** Developing and keeping an efficient workforce still remains a problem for the industry. Downsizing and closings in the past have hurt recruiting efforts and some companies report the problem is critical. What lies on the horizon and services that can help human resource programs are covered.

### SEPTEMBER

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**INDUSTRY CLUSTERS:** North Carolina and the Fort Payne, Alabama area are examples of industry clusters. Hosiery manufacturing spawned companies that supply them. The same is the case with textile operations. These clusters have given manufacturers a competitive advantage. But are those clusters still working as a support mechanism? Where are the missing links in the 21<sup>st</sup> century economy?

### NOVEMBER

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**TECHNOLOGY CENTERS AND THEIR MISSION:** The technology centers in Hickory, Asheboro and Belmont, North Carolina, have adjusted to the changing needs of their clients—the manufacturers. Research and development and prototyping of new products remain priorities, along with market support. Roles also have encompassed other industries that interface with textiles and hosiery.

### FEBRUARY

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**OFF-SHORE PRODUCTION TRENDS:** Some domestic companies are moving some operations to Honduras and other points south. Others are finding U.S. labor more competitive, fueled by incentives from state government. How is the roll of distribution centers playing with veteran companies. How is the roll of suppliers changing?

### APRIL

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**GOVERNMENT PARTNERS:** The U.S. Department of Commerce and the North Carolina General Assembly have invested hundreds of thousands of dollars in the future of the hosiery and textile industries through their technology centers. It is budget time again and the future of thousands of jobs are at stake. Momentum gains for one of the most important elections in our history. Outlook for hosiery and textile industry initiatives reviewed as Washington and Raleigh lawmakers return to develop budgets.

### JUNE

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**STATE OF THE INDUSTRY:** Addressing change has been the challenge for U.S. hosiery manufacturers over the past decade. Since the late 1990s, mergers and closings have made headlines. But also there is news about start-ups and companies that have re-positioned themselves as distributors and niche players. Trends pointing to the future of domestic suppliers will include such issues as diversification, lean manufacturing and marketing.

### AUGUST

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**NEXT RENAISSANCE:** In the 1970s and 1980s the industry experienced a new awakening, led by young executives entering the family business. They helped the industry become brand marketers and establish new strategies for reaching out to retailers. Is a new generation of executives ready to carry companies to new markets, global and within the U.S.? Profiles of new leaders.

### OCTOBER

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**RETAILING:** Is it true that Chinese consumers want products with a made-in-the-USA label? Are global retailers a market for U.S. manufacturers? How much business is going to online marketers? What is solidifying relations with U.S. retailers? Brands? Features and news stories cover trends. Holiday shipments are included.

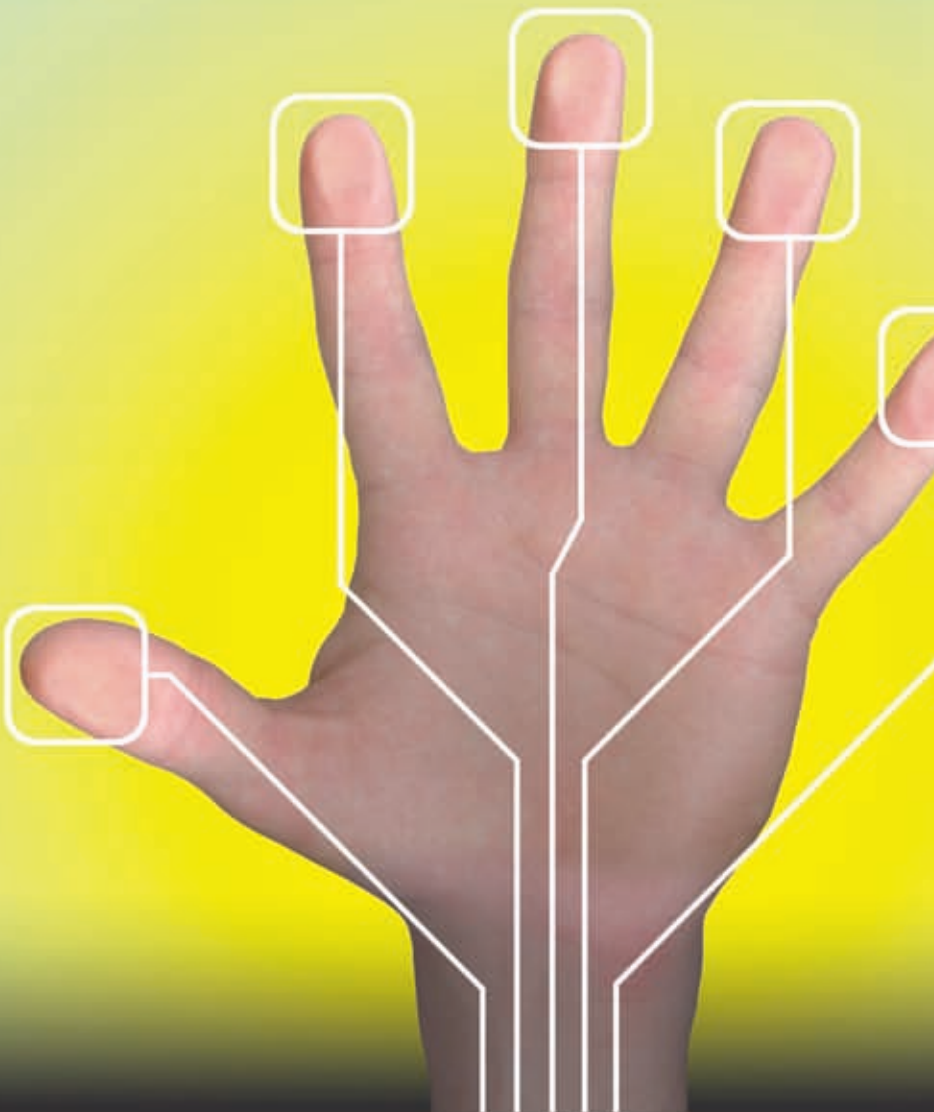
### DECEMBER

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**NEW LEADERSHIP:** The 2008 elections have brought changes to U.S. government and the halls in state legislatures. We will profile some of the new faces and offer some insight into the issues they will embrace that could affect manufacturers. Universal health insurance could be one. More doors open for organized labor could be another.

# Ready!

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