

From: [alphabroder](#)
To: [Christiane Hartley \(MCM Productions\)](#)
Subject: Important Update from Dan Pantano
Date: Wednesday, August 25, 2021 8:32:19 AM



August 25, 2021

Dear Partners and Friends –

We trust you are doing well, staying healthy and continue to see your business recover as we deal with the issues of the ongoing global pandemic. We know that we are critical to the success of your business especially in this dynamic and challenging environment. As a result, we want to ensure we are providing as much visibility into what lies ahead so you can navigate the issues in the global supply chain as best as possible.

The latest information we are receiving from our manufacturer partners is that they do not anticipate any meaningful improvement with the ongoing supply chain issues until at least mid-2022. In addition, costs continue to increase on many levels as the global supply chain and labor market adjusts to keep things moving. We have received significant cost increases from multiple manufacturers over the past few weeks and several manufacturers are targeting early October to implement similar cost increases for their products.

In anticipation of these upcoming market conditions, I am sharing this news with you today so that you can plan accordingly and begin discussions with your customers. We are working closely with our manufacturing partners to improve our inventory position and to mitigate cost increases. We also wanted to ensure that we shared the background as to the context of these price increases so that you would have the necessary information for the dialogue with your customers. We have attached a summary of the various factors that are impacting these cost increases for your review and understanding.

These are challenging times with multiple macro-economic issues impacting our industry concurrently. We at alphabroder/Prime Line are fully committed to helping you serve your customers every day. We really are in this together. We will continue to work as hard and as smart as we can to continue to earn your confidence.

Thank you for your continued support.

Sincerely,

Dan Pantano
President and CEO
alphabroder

Costs of goods are rising. Why?



Global Supply and Demand

Demand pull inflation is created when demand rises and supply falls for an extended period of time. **In our industry, this results in upward of 30%+ cost increases**

Fabric Issues

Global Cotton Production has not increased AND the global Chinese Cotton Ban as effectively reduced the world's supply of cotton by 25%

This accounts for a 20% increase in cost of garments.



25%

reduction in world's supply of cotton

Ocean Freight Costs

The pandemic continues to shutdown ports around the world. **This accounts for an additional 10% increase in the cost of garments.**



World Wide Labor Shortages

This is not unique to the US. We are seeing it in Asia and Central America as well. **This accounts for an additional 3% - 4% increase in the cost of garments**

