



## **A VOLATILE YEAR IN THE DOWN AND FEATHER BEDDING INDUSTRY**

*New markets, supply chain issues and the global economy cause increased prices.*

**NEW YORK, NY** – For the first several quarters of the economic downturn, falling consumer prices were in lock step with falling manufacturing costs. However, as the world economies have begun to recover, manufacturers in virtually all industries are scrambling to deal with rapidly rising commodity costs that are driving up their total costs much faster than anyone had expected. According to The World Bank’s commodity price data, or Pink Sheets, commodities prices, from barley to wood pulp, have increased over the last quarter of 2009. Down and cotton, the two major commodities used in natural fill bedding, are not immune to these pricing pressures.

### **Cotton for the Shell**

The time period between March 2009 and March 2010, what is referred to as the cotton “year,” has been volatile thus far. In early December, analysts forecasted that cotton stocks will shrink 13 percent by March 2010. This represents the largest decrease in year-end stock levels since 2002-2003. Total production is expected to be five percent lower than last year, primarily due to lower yield in Chinese crops, which were only partially offset by production increases in India and Pakistan. Conversely, cotton consumption is projected to rise by approximately two percent, causing the net demand to outstrip production by 1.6 million tons and leading to the expectation that cotton prices will continue to increase. It is estimated that cotton prices will end up being 10-15 percent higher than they were last year.

## **Down and Feather for the Fill**

Weak demand for down and feathers over the last year resulted in depressed pricing for down of almost every type and quality. Reluctant to sell at decreased prices, many factories accumulated inventory. As demand for down and feathers increased, prices did not initially respond as the supply chain worked through existing inventories. However, during the last 60-90 days of 2009, demand for down increased dramatically. As this “excess” inventories were depleted, down prices rose sharply. The spike in down prices is not a result of increasing demand only. The fixed nature of the supply of down and feathers is the other half of the equation responsible for the recent price volatility.

Joe Crawford, senior vice president of finance and procurement for Pacific Coast Feather Company, and marketing chair of the American Down and Feather Council, explained the situation, “All down and feathers used in our industry are a by-product of the meat industry. Birds are raised primarily for their meat, not their down and feathers (which comprise only 5 to 15 percent of the value of the bird). Farmers simply do not raise more birds unless meat prices warrant it. As a result, even a significant increase in the price of down does not result in greater supply to the marketplace. In an environment of rapidly changing demand, this fixed supply of down can result in the type of price increases we are experiencing today.”

Although there may be some temporary pullback from current market prices as backlog demand is satisfied, all of the factors leading to higher prices remain in place: increased global demand, a virtually fixed supply of down and higher cotton prices. This increase in market prices has already begun. Compared to previous 12-month lows, and depending on quality and origin of the goods, the current spot market price of duck down is up 25-50 percent, goose down prices are up 20-30 percent and the price for cotton down-proof shells is up 10-20 percent.

One factor in the increased demand for down and feathers is that a new market for natural fill bedding is beginning to open. According to Stephen Palmer, co-president of United Feather and Down, Inc. and chair of the American Down and Feather Council, “We are now witnessing the first stages of growing Chinese domestic demand for down filled

comforters. This new demand, along with increasing world-wide demand associated with improving economies, will continue to put pressure on down prices from the demand side of the equation.”

The price increases of these raw materials will undoubtedly be visible on retailers’ shelves in the form of higher price points for down and feather goods. In the coming year, consumers can expect to pay more for their down comforters and pillows.

### **About ADFC**

The American Down and Feather Council, a section of the Home Fashion Products Association, is a voluntary association of manufacturers of natural-fill bedding products, as well as dealers, buyers, sellers and processors of feathers and down for use in home fashion products. The goal of the ADFC is to further the common interests of the down and feather products industry, and to maintain and improve product quality. The objective of the ADFC Labeling Compliance Program is to ensure all natural-fill bedding products sold in the U.S. are labeled correctly and that the quality of the products meets or exceeds the claims made on the label or packaging.

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