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Overseas Competition Reverberates Within L.A. Textile Industry

By Deborah Belgum
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First, it was the energy crisis, and now it is the stepped-up competition from overseas apparel factories.

The Los Angeles textile industry continues to take a beating as more U.S. clothing makers opt to produce their goods in Asia, India and other countries around the world.

The latest casualty is **Kronfli Spundale Mills Inc.**, a 27-year-old vertically integrated operation that shut down its dye house a few months ago after filing for Chapter 11 bankruptcy protection in July. Ted Kronfli, who started the mill with his brother Paul, is working as a sales representative for another fabric mill, **Lorber Industries of California**. Ted Kronfli did not return calls.

Another textile company that closed in recent months is **Tissurama Industries Inc.**, which had a 500,000-square-foot facility near downtown Los Angeles and was one of the largest knitting, dyeing, printing and finishing plants in the area. The company, founded in 1986, was headed by Bahram Farmanara, who also did not return phone calls.

The departure of the two textile powerhouses highlights the difficulties that still dog Los Angeles mills, which were thriving enterprises decades ago but have slipped with increased worldwide competition.

In 2001, a raft of textile companies and dye houses went out of business after natural gas prices increased four to six times, leaving many factories with exorbitant energy costs. One of the first to drop was **L.A. Dye & Print Works Inc.** in Pico Rivera, Calif. Helmut Ackermann, who started the company in 1983 with two partners, said in early 2001 that his natural-gas costs had mushroomed from \$200,000 to \$1.2 million a month.

While energy costs have tapered off a bit, textile businesses still haven't been safe.

"The knitters are definitely in trouble. It has actually gotten worse the last year or two because of [clothing] imports," said Bill Tenenblatt, president and owner of **Antex Knitting Mills**, a 31-year-old vertical operation located south of downtown Los Angeles.

The rising number of California apparel companies producing clothes in China and other Asian countries has nibbled away at the clientele of many Los Angeles textile companies.

Overseas competition has forced Song Ho Kim, founder and owner of **Popular Textile Corp.**—a knitting, dyeing and finishing company in Vernon, Calif.—to scope out new locations for his company, founded in 1981.

Kim has seen his fabric production decline 20 percent to 30 percent this year from last year, when revenues totaled \$30 million. Two years ago, he employed 350 people. Now he has 170 workers at his large plant, which produces knit fabrics primarily for the juniors market. "It's layoffs, layoffs and layoffs," Kim said, walking through the hallway outside his office.

Taking a detour

Kim had planned to build a knitting and sewing plant in Nicaragua, a country with low wages and land costs. Under the



Central American Free Trade Agreement, negotiated early this year, Nicaragua will be able to export apparel using third-country fabrics made in places such as China.

But duty-free status will not be given to fabric or clothing made from third-country fibers used to spin yarn.

That put a wrinkle in Kim's plan to use cheaper Asian fiber to make his yarn. The CAFTA negotiations were finalized after Kim purchased about 150 acres in Nicaragua, where he intended to set up one of the country's first knitting factories. Production was to have begun last July with 15 knitting machines. Eventually, another 85 machines were to have been added.

But three months ago, in the middle of his project, Kim pulled out. He had already installed the framework for a 200,000-square-foot factory, built a dormitory for 30 workers and ordered machinery.

He sold his half-constructed factory and land to **Gildan Activewear Inc.**, a Canadian company that makes blank cotton and cotton/polyester T-shirts, tank tops and sweat shirts. Kim said he spent \$10 million on the venture and got back less than 50 percent of his investment.

Looking at the pros and cons of Nicaragua, which is still waiting for the U.S. Congress to approve CAFTA, he decided that it would be more profitable to set up a factory somewhere in Asia, perhaps Indonesia, where labor costs and raw materials are affordable. He eventually plans to close his plant in Vernon, which is running at one-third of its 3 million-yards-a-month capacity. "Every year, business gets slower here," he said.

Fittest survive

Other Los Angeles textile mills are experiencing similar tough times.

Antex Knitting Mills, whose 600 employees produce 5 million yards of fabric a month, has been able to maintain its level of business because other mills have closed. "We have stayed level the past couple of years, but a lot of that is because the total pie is smaller after some big companies went out," said Tenenblatt, who started the company in 1973 with his father, Jacob. "If everything had been equal, we should have in-

creased our sales in the last couple of years, but we haven't. All that production has gone offshore."

The fabric maker is staying in business by being innovative and providing quick turn for customers.

"We are trying to get into performance fabrics," Tenenblatt explained. "And one year ago, we went into wet printing. If you want to do printing on synthetic or nylon fabrics, you have to do wet printing. On cotton, it gives you a much softer hand."

Lorber Industries of California, located in Gardena, Calif., is another survivor that has seen business decline in recent years. The company, started by Arnold Lorber in 1969, is a vertical operation with 350 employees and knitting, dyeing, printing and finishing equipment under one roof. In the late 1990s, its revenues totaled \$100 million.

Today, revenues are below that, but things are holding steady.

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—Bill Tenenblatt

Antex Knitting Mills

Greg Lorber, vice president of sales and marketing, said he believes his business will remain level in 2005 even though apparel and textile quotas on goods coming from China will disappear next year.

"The business I feel I might have lost in 2005 due to quotas was already lost more than one year ago," he noted, saying his customers are constantly changing. "The business we have built up is not dependent on overseas prices. It is built for the need of a garment to be fashionable and timely."

At the smaller **Lafayette Textile Industries** in Los Angeles, which employs 90 people, President Ali Zahedi predicted 2005 will be the same as 2004.

"For the most part, the market has already anticipated the end of quotas," he said. "There has been a correction in the market, which basically makes the demand equal with the supply. For the companies who have stayed in business, they may see some light at the end of the tunnel now." ■