

The panel, including Q&A, lasted nearly 1 1/2 hours. It was brilliant. The following is a fraction of the content, but shows the core of the positive message about investment in the region.

2022 AAPN pro:Americas Annual Conference: The Producers' Panel

Moderated by **Paul Magel**, President, Application Solutions | CGS

Panelists:

- **Roberto Bequillard**, President | Confexsa
- **Juan Zighelboim**, President | TexOps
- **Jesus 'Chuy' Canahuati**, CEO | Elcatex

Juan: Honestly the first few days of the pandemic, I really didn't know what would happen in terms of the world economy. But as we moved along, we started finding out we could things differently to accommodate a lot of rules and customs that we were used to so it was change or die.

I can tell you we did change a lot. We learned how to operate remotely. We had a pretty good lockdown down in El Salvador and we had to get some permits and we had to provide transportation for employees and all kinds of things. Restricted production wasn't easy. I don't think we missed one delivery on any contract we had previous or during or after the pandemic. So, kudos to our team for our success.

Chuy: Well, there's something I want to talk about....the last two years? Gown and masks. I want to go back to 2016 when I had the honor to speak at AAPN's conference on Honduras2020. Just to remind you, in 2010, I was ready to quit this industry because its been a challenge to compete, especially with Asia.

One guy in 2010 opened my eyes, one consultant was forecasting the demographic issues of China explaining how the Chinese were going start losing people. So I came to Honduras and we started preparing Honduras2020 with land, infrastructure, electricity, training, people for what we thought was going to be a comeback to the region.

One of the things that I want to point out is that we're very bad at planning for the future and something that we know is not going to happen in our hemisphere is that the governments are going to have a plan for our industry.

They will never have a plan for our industry. Actually, all of their plans disrupt our industry. And we need to understand that we are the ones that need to lead.The ones that are going do the job are us, the governments

are not going to do it. The US government is not going to do it. Local governments are not going to do it.

We're not China. They plan for everything 20 years and they don't only plan, they execute which is the hardest part. So going from HON2020, we figure that this is not about a plan for Honduras. This has to be a plan for the region. And that's why with other friends from other industries, we created HUGE, which is an initiative where we have Honduras, United States, Guatemala and El Salvador - HUGE.

We created this initiative and what is behind that initiative is that in order for us to be competitive and be successful, bringing production to this hemisphere, we all need to interact in the supply chain. The supply chain needs to work in a way that expands in their area and they do it together with a plan of how much business we want to bring to this hemisphere and what products are the ones that we are going to be trying to bring, because it's not about doing a little of everything because we cannot be good at doing everything. It's about expanding on the things that we can do best and that we have a better chance to be competitive, not only in this difficult time, but in the future.

And that's the exciting part because I see a much bigger engagement between us companies, Central American companies, working together to expand the supply chain, looking at numbers together of how we're going to do it.

And now we see retailers coming, retailers and brands coming to us, giving us their forecast. And one of the questions we've asked them, the brands and retailers, are you willing to commit? And the magic answer has been yes, and I'm going to take their word for it. They're willing to go into longer term arrangements, which is something that you would have never heard before.

And that is a good opportunity because you know, that long term plan needs to be provided to the supply chain, to the logistics, brands, to everybody so that we can really have an impact in this venture, bringing more production to this hemisphere.

Roberto: Central America has been pretty much a yoyo for so many years. Today, Central America represents to the US only about 10% of total market. You have China at 27% and Vietnam at 17%. So just those two countries are about 40% of the total market. And the entire hemisphere is only 10. If you take 1% of those 40%, which is really very small number for that 40%,

it'll be a flood for the CAFTA countries. And that is happening, it is happening because proximity is being valued highly these days.

It's actually more profitable to buy products from the Americas than it is to buy lower cost products, sourced desperately in many ways because the other cost factors that should have been accounted for over so many years were not.

Chuy: Well, one thing we learned is that the near shoring trend is an incredible opportunity for Central America. The other thing we learn is that we're not close to being ready to take full advantage of that. As we talk about factories full capacity at the maximum level, we're trying to manage that situation as we speak. I don't want to ask anybody here to raise their hand, but how many of you are really preparing for the next five to 10 years? I think that we're not really preparing for the opportunity that we have in front of us.

Am I ready with logistics?

Do I have facilities where I'm going to get my raw materials ready for what I plan to do?

Do I have the right energy source?

Do I have the right price for that energy?

Do I have the right infrastructure?

Am I utilizing synergies that are going to make me competitive?

Am I thinking outside of the box, for example, logistics to the United States is one thing, logistics within the United States is a much more difficult thing because everybody wants their goods to be delivered at home.

So you would think that the drivers situations is just going to get worse in the United States. So how is that going to impact my business? Am I going to hold inventory in the United States or am I going to hold them in the country where I'm producing?

All of these questions need to be answered and they need to be part of a plan. We have never in our history had the opportunity that we have in front of us, but if we don't do things correctly its not going to be sustainable.

Juan: We've had conversations with customers where we tell them that's the best substrate, something where they're reluctant to even forecast the next quarter. Today they're actually willing to put money upstream, meaning with us, with our suppliers, as well as our suppliers' suppliers. That's a heck of 180 outlook. Is it permanent? Is it just because it's happening now? You

know, when the storm blows over, will they go back to the old ways, I don't have the answer. So I think the conversations will get deeper and perhaps they'll be some concrete results out of that.

Chuy: Cotton in this region is okay because the United States produces 18 million bales and what we need to do more is use that and bring it to the region, producing in the region instead of shipping it back to Asia. Then in manmade fibers, we're incredibly dependent on one nation and that's something that we need to figure out.

I asked a retailer and I said you're talking about 27% from China, 17% from Vietnam, but what about the materials, at least 80% come from China. So even though your product might be sewn somewhere else, the raw materials are still coming from China. So we are talking openly with our customers on how do we take on that challenge? And you mentioned sustainability. If you don't need include innovation in this process on how to expand with being more efficient using technology and digital technology, for example, you're not able to scale competitively and sustain it.