

Update on Material Costs, Trade, & Shoe Tariffs



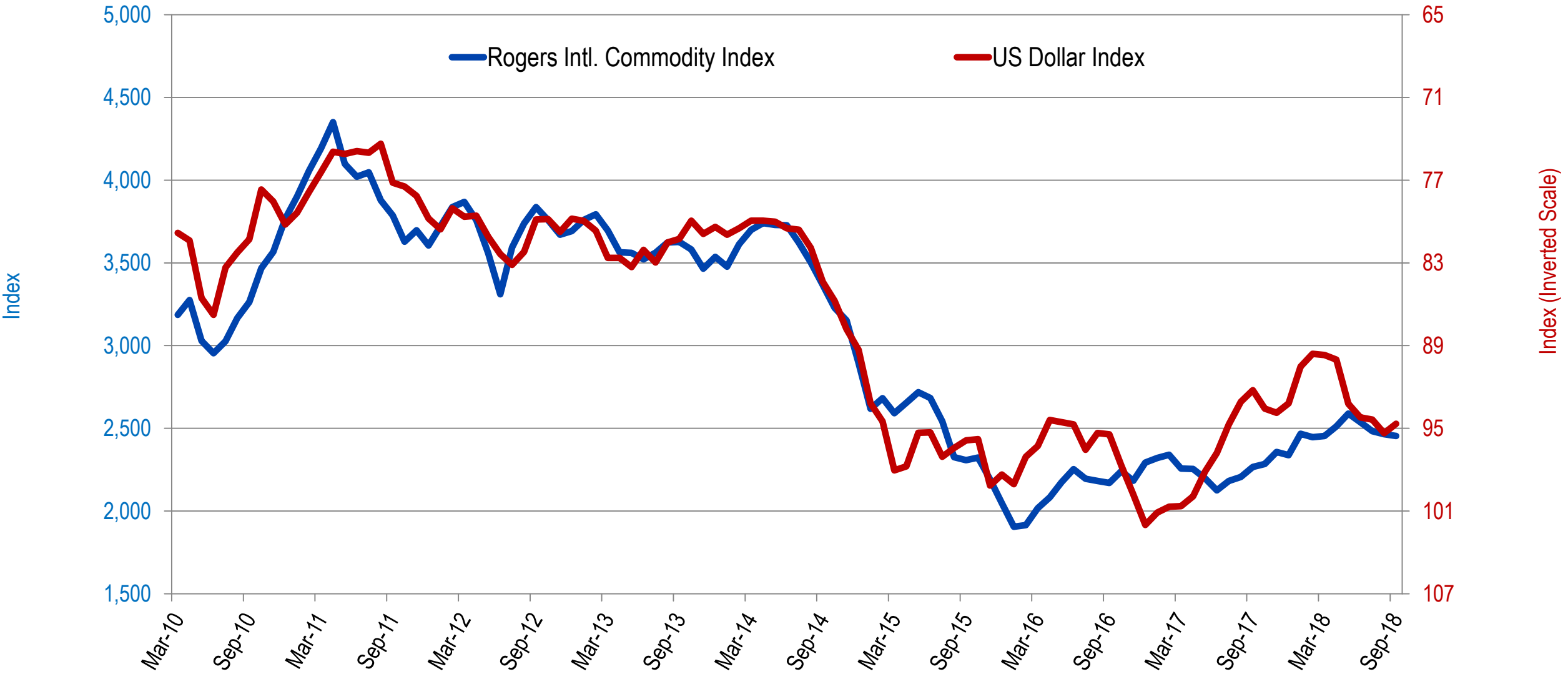
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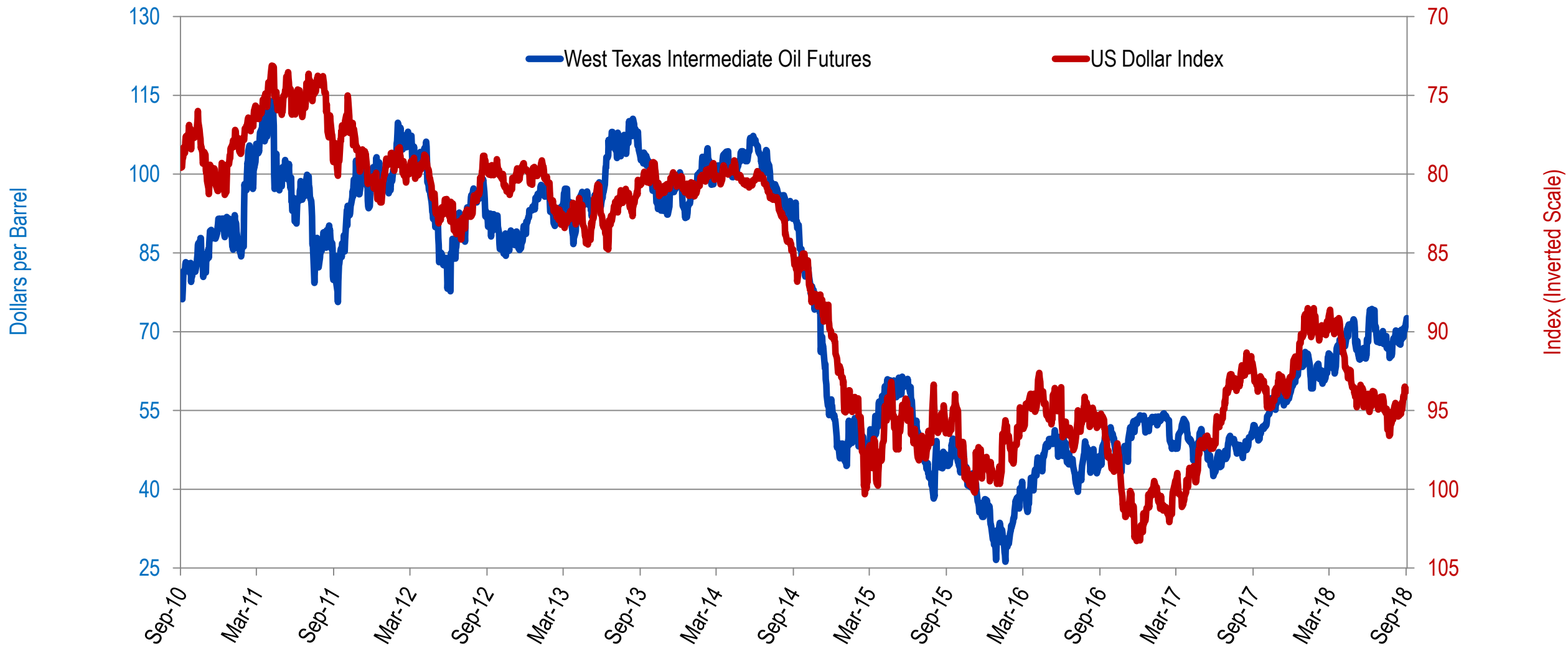
A Brief Look at Commodity Markets Impacting Footwear



Commodity Prices Tend to move in Mirror-Opposite Direction to the Dollar

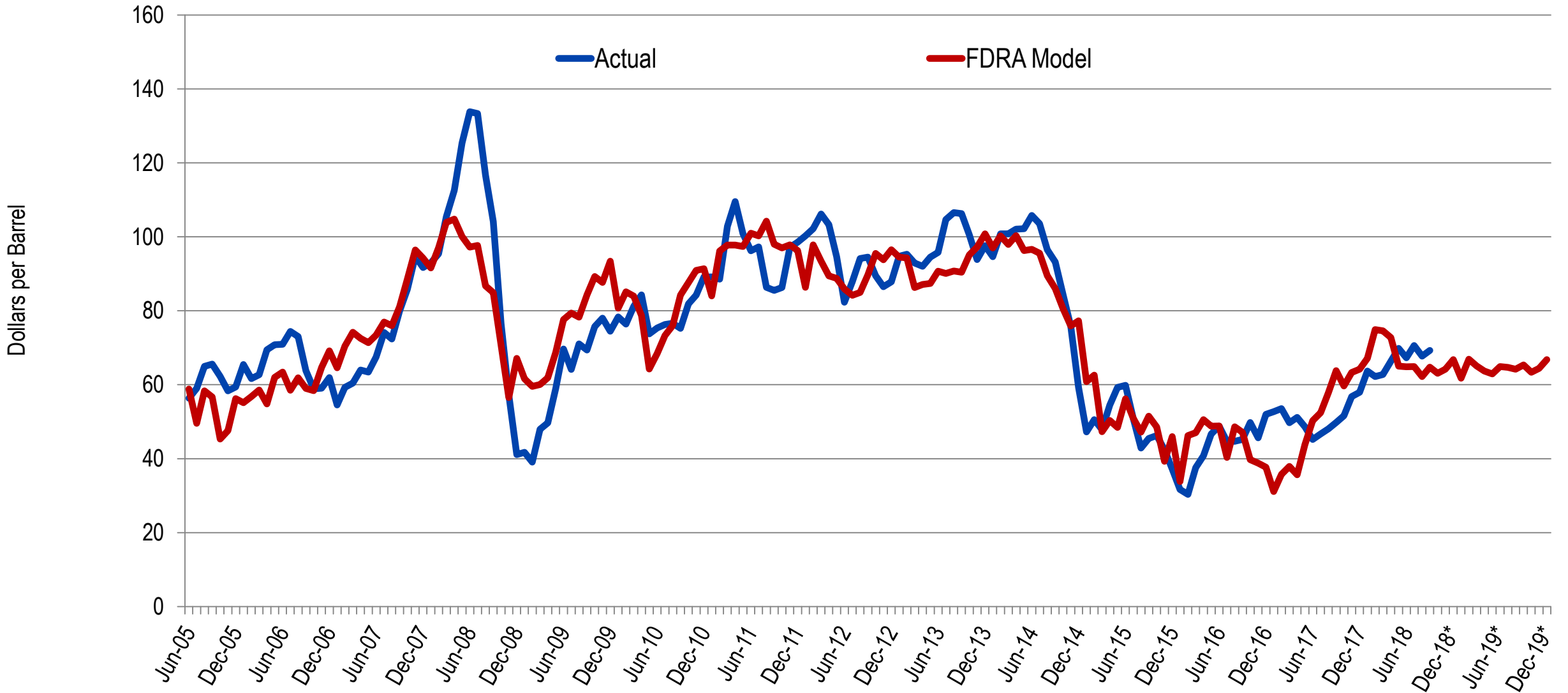


Oil Prices Tend to Move in Mirror-Opposite Direction to the Dollar



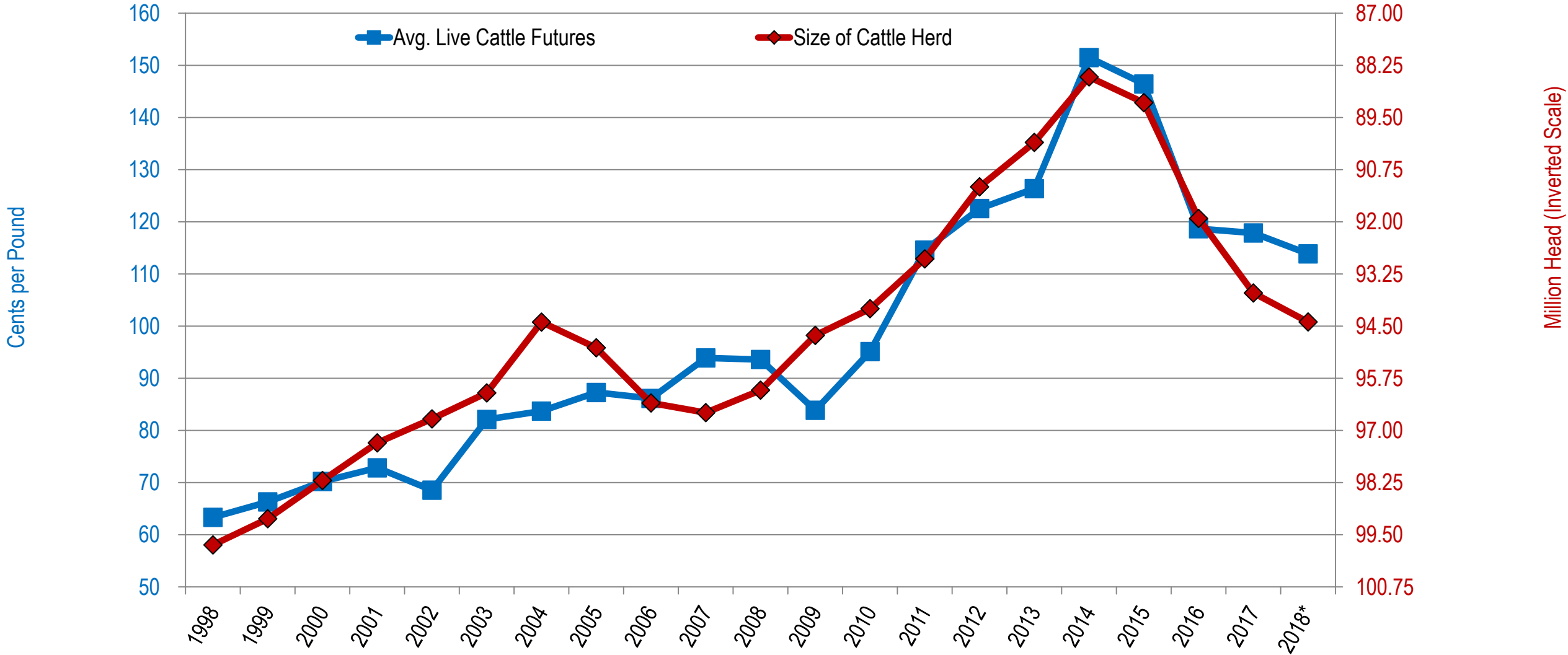
Sources: NYMEX & ICE Futures U.S.

Actual & Predicted West Texas Intermediate Crude Oil Prices



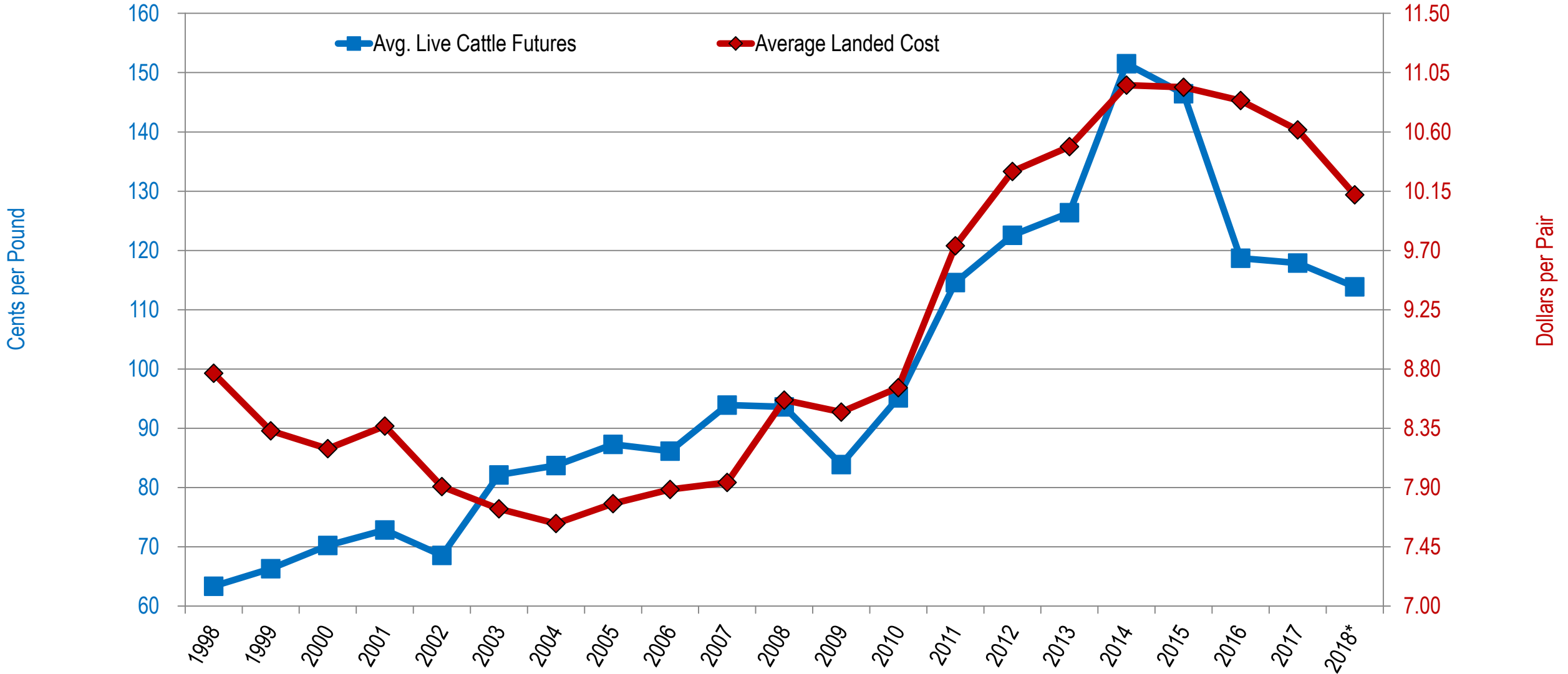
Sources: ICE Futures U.S. & FDRA. * Values after August 2018 are forecasts.

Bigger Herd Size Suggests Cattle Prices will Weaken



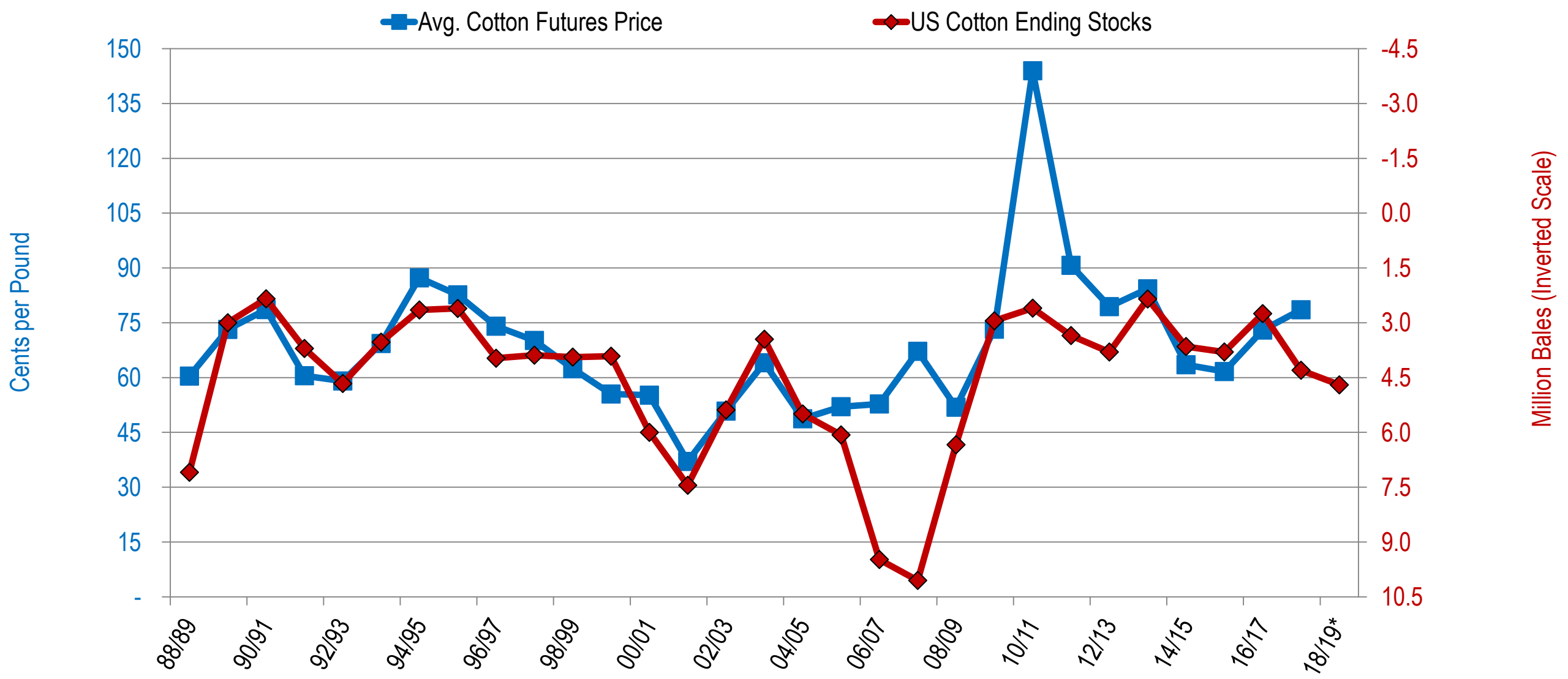
Sources: CME & USDA. * YTD average price & 2018 USDA forecasted herd size.

Weaker Cattle Prices are Weighing on US Footwear Import Costs



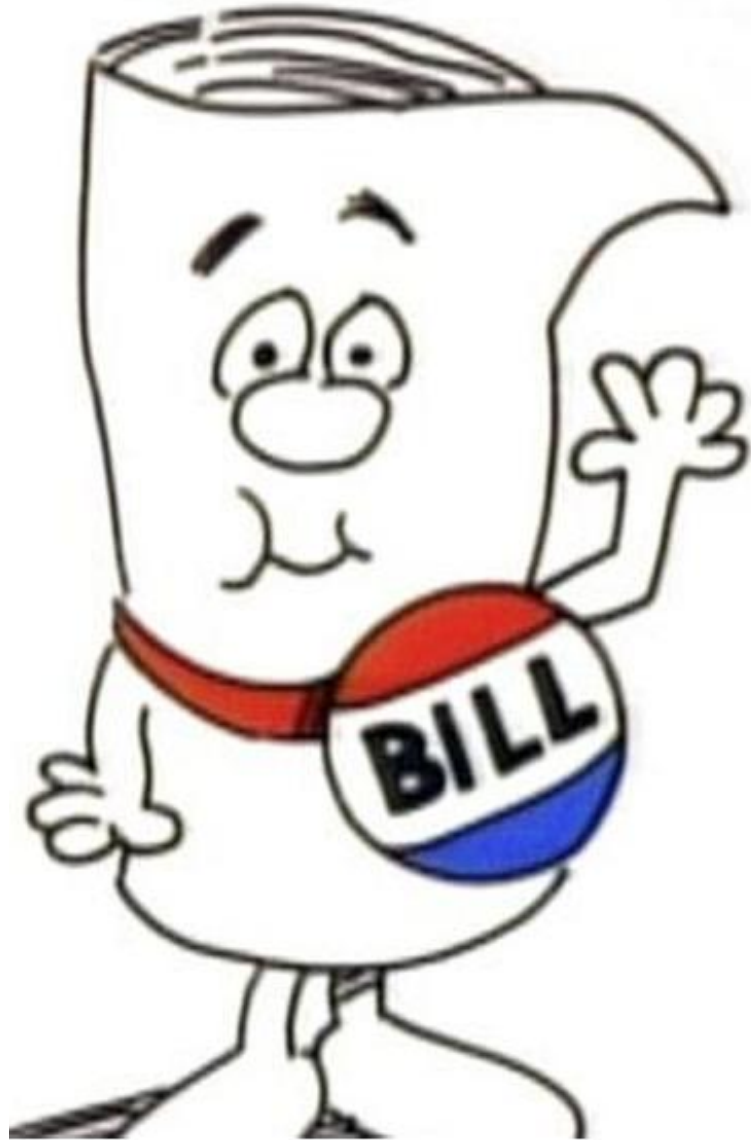
Sources: CME & USITC. * YTD average prices.

Growth in Projected U.S. 2018/19 Ending Stocks Hints Cotton Prices will Retreat



Sources: USDA & ICE. * USDA forecast.

How Does Washington, D.C. Impact Shoes?



How Does Washington, D.C. Impact Shoes?

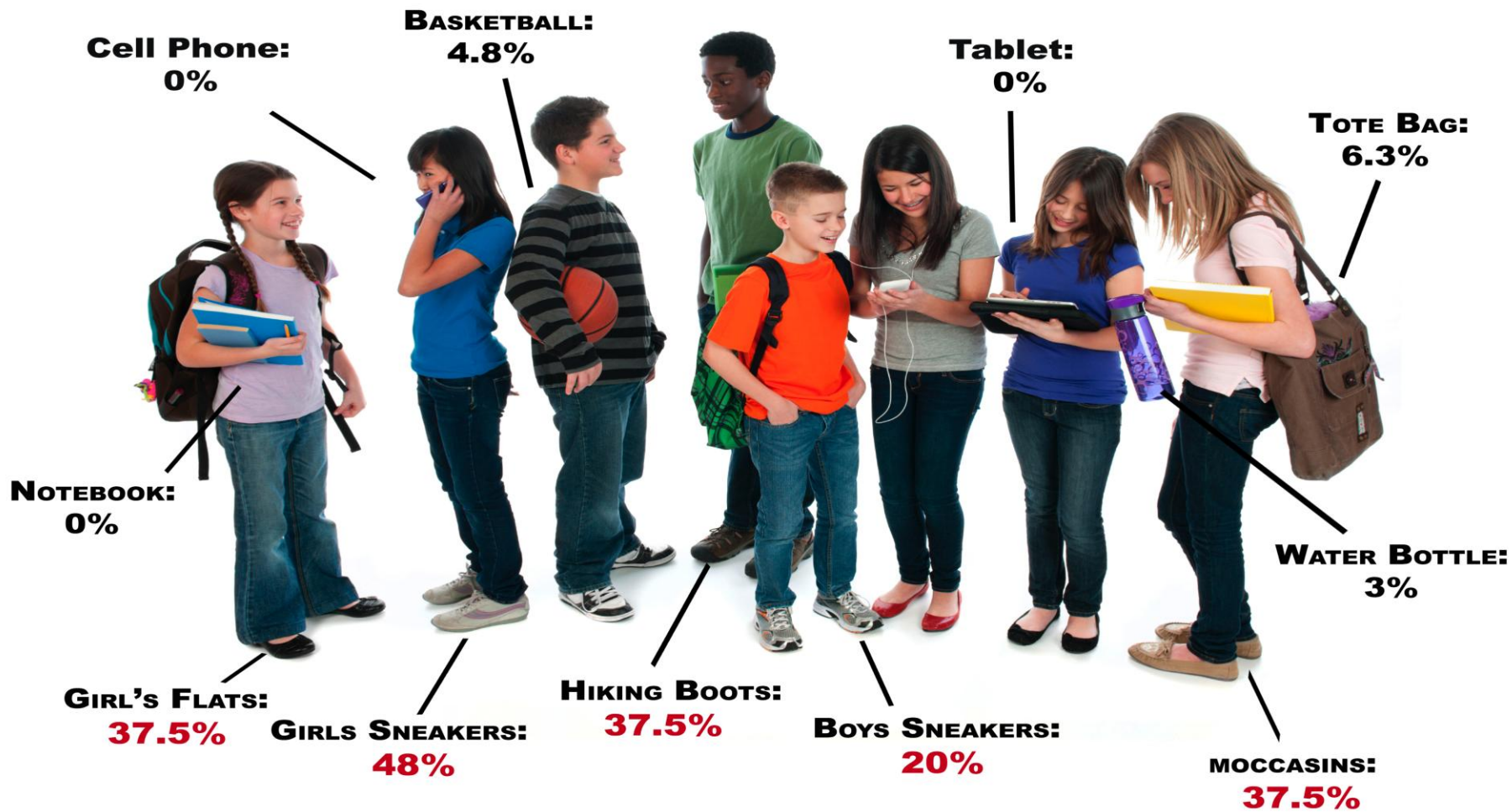


Footwear Trade

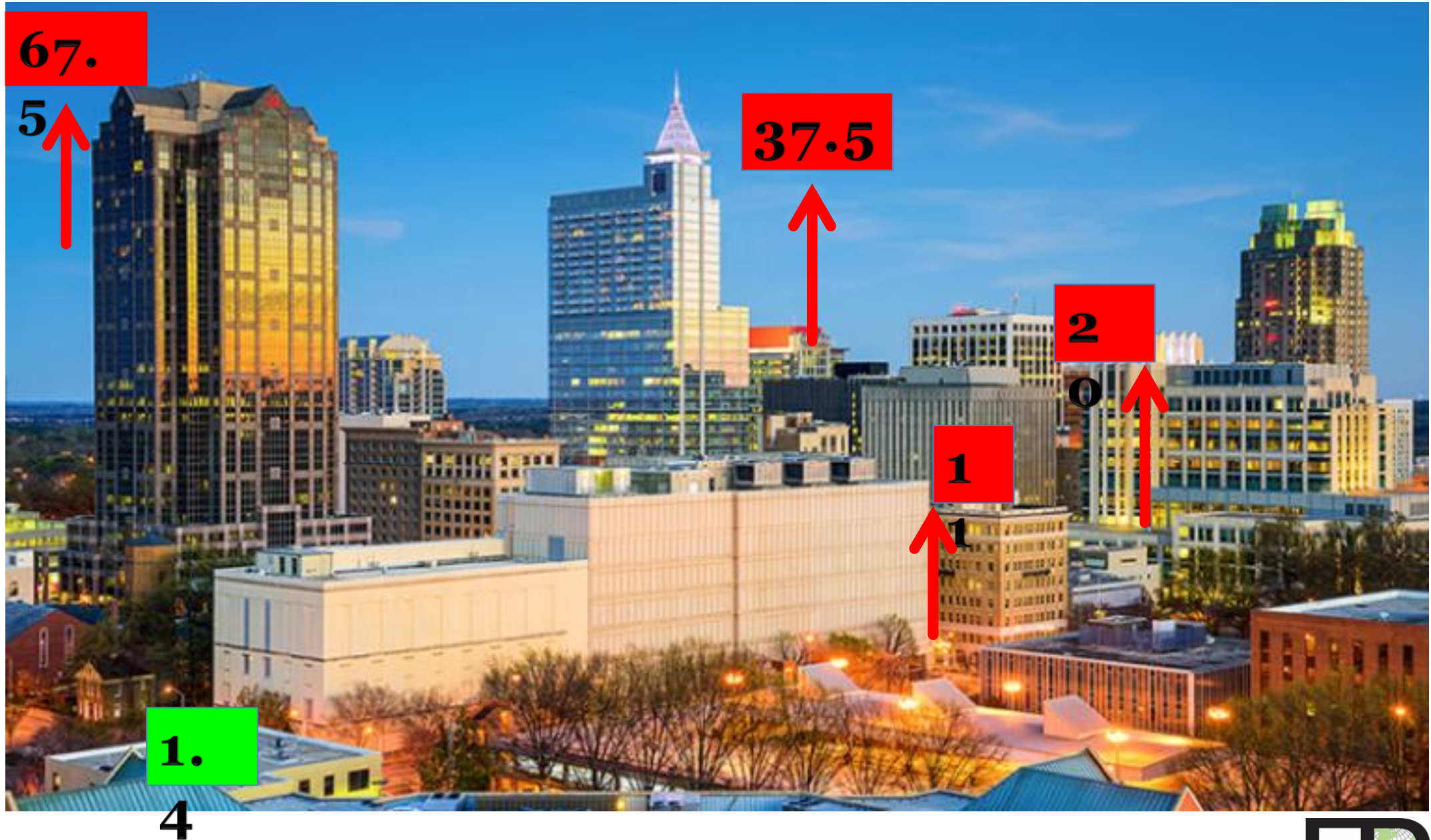


The Real Cost of Shoe Tariffs

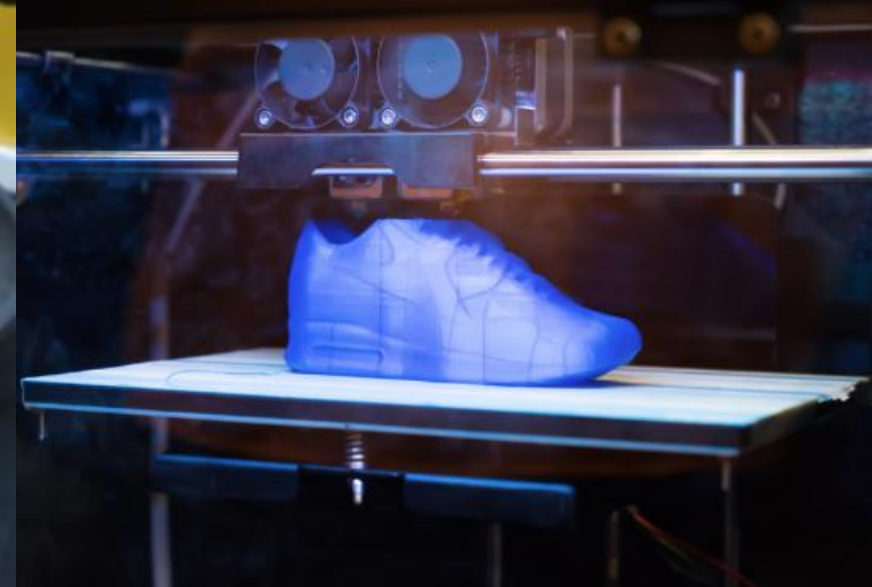
TARIFFS ON CHILDREN'S SHOES DON'T FIT



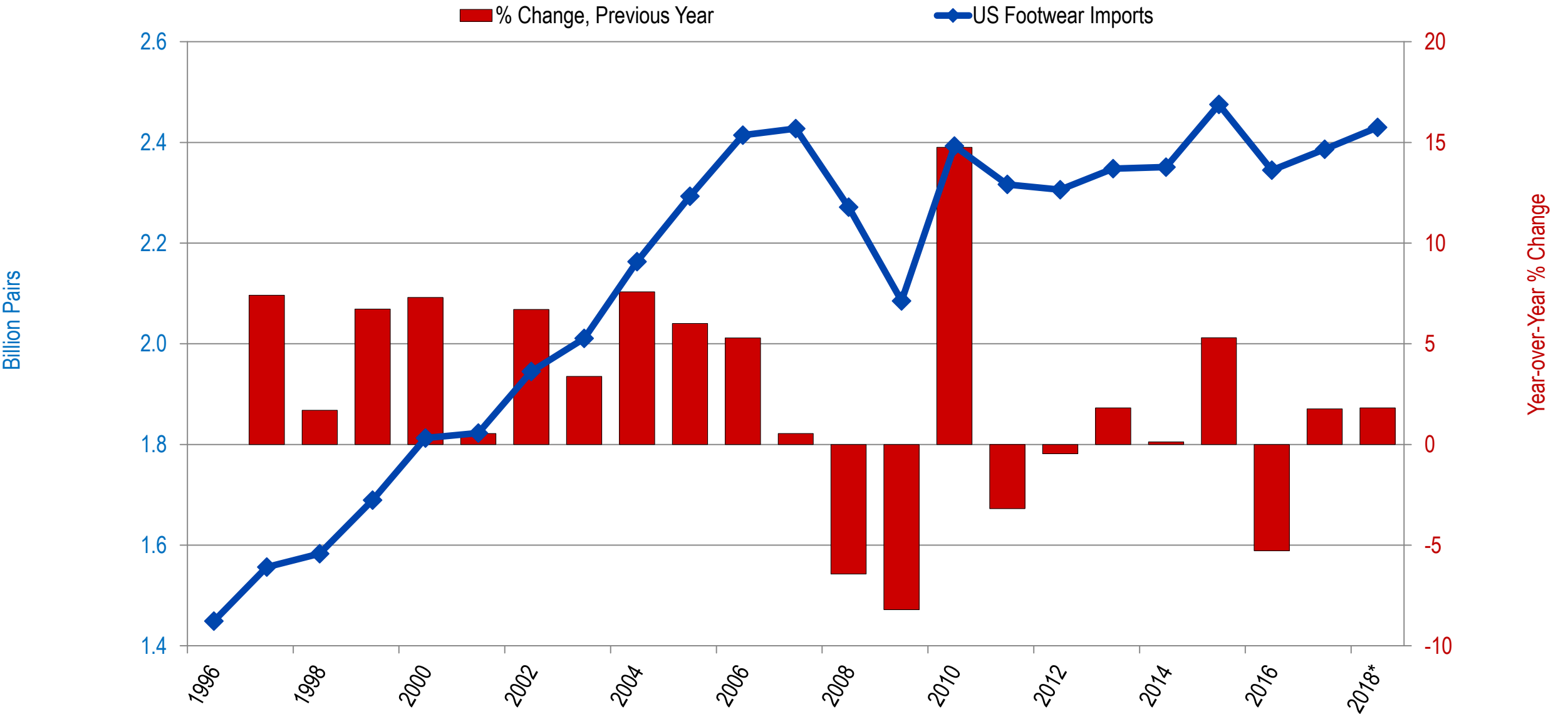
Shoe Tariffs Highest in Tariff Code



Designing 21st Century Footwear in a 1930s System

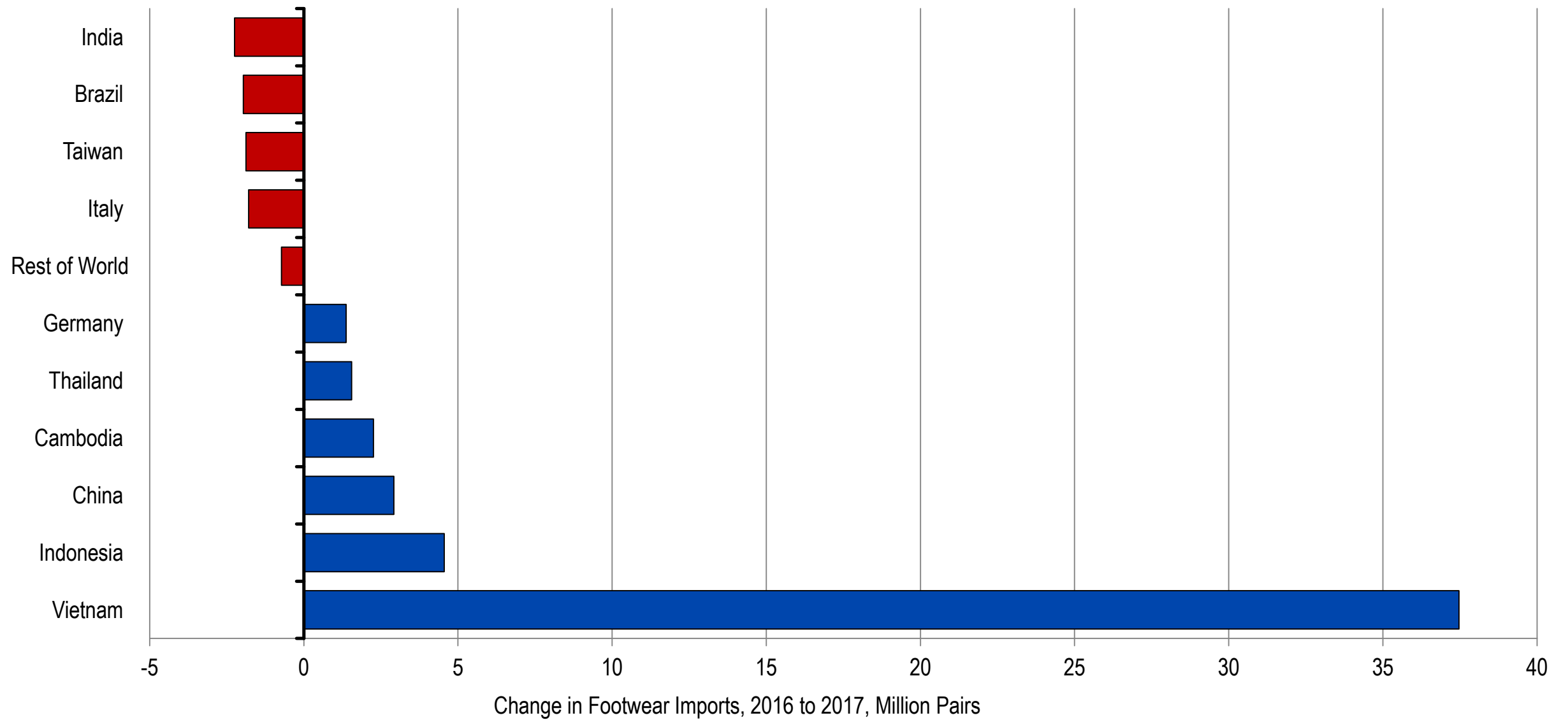


U.S. Footwear Imports Remain Mostly Flat over last Decade

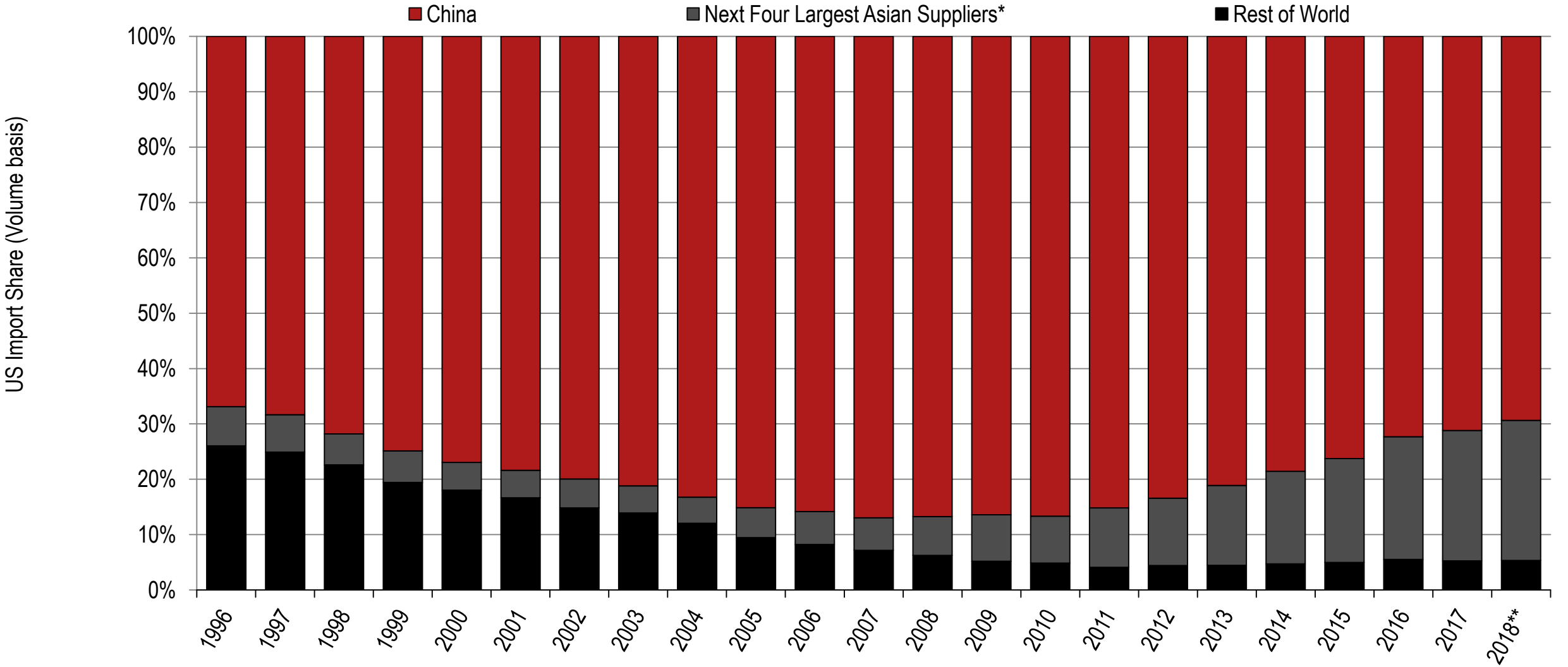


Source: USITC. * FDRA forecasts.

One Key Theme in the Sourcing Shift in 2017 US Footwear Imports

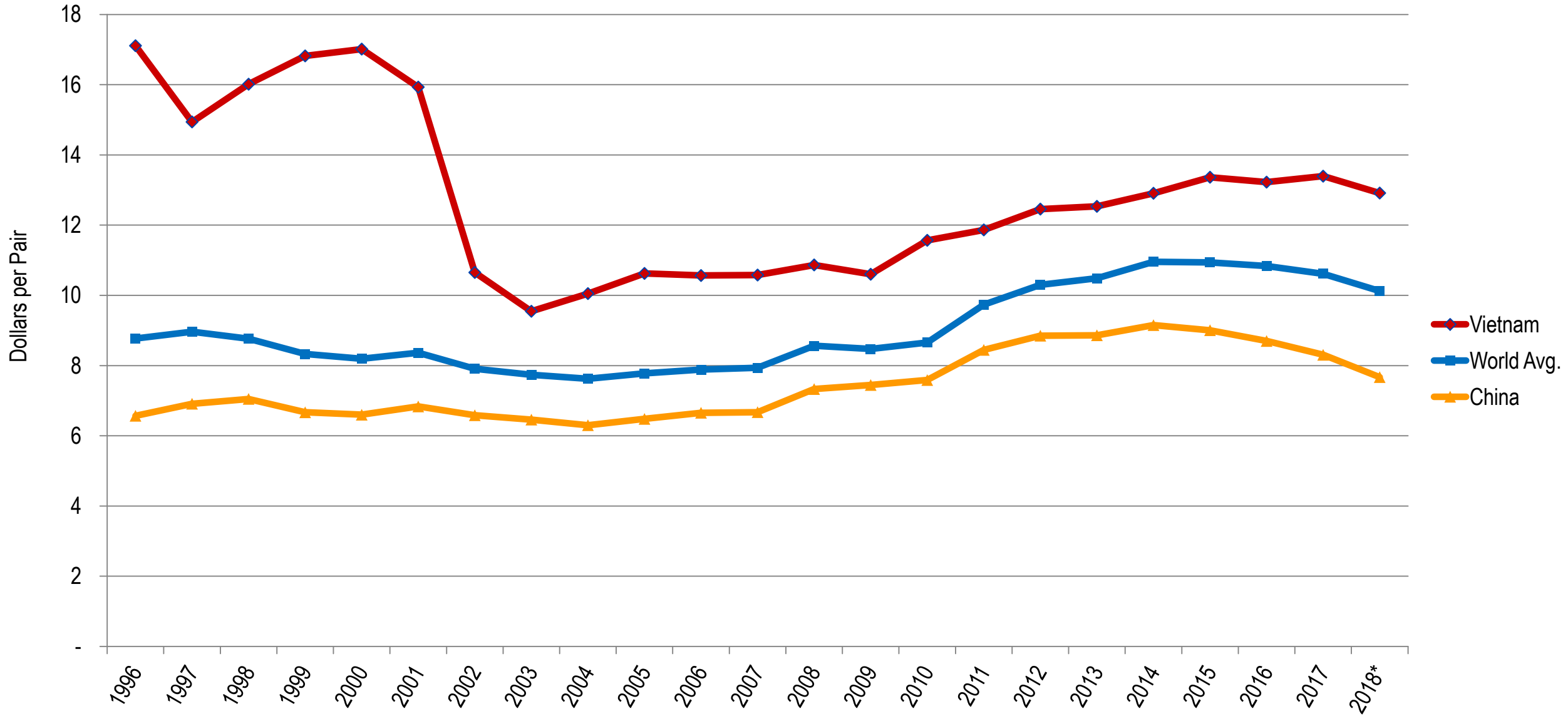


Footwear Shipments from China Continue to Falter, while Rest of Asia Grows

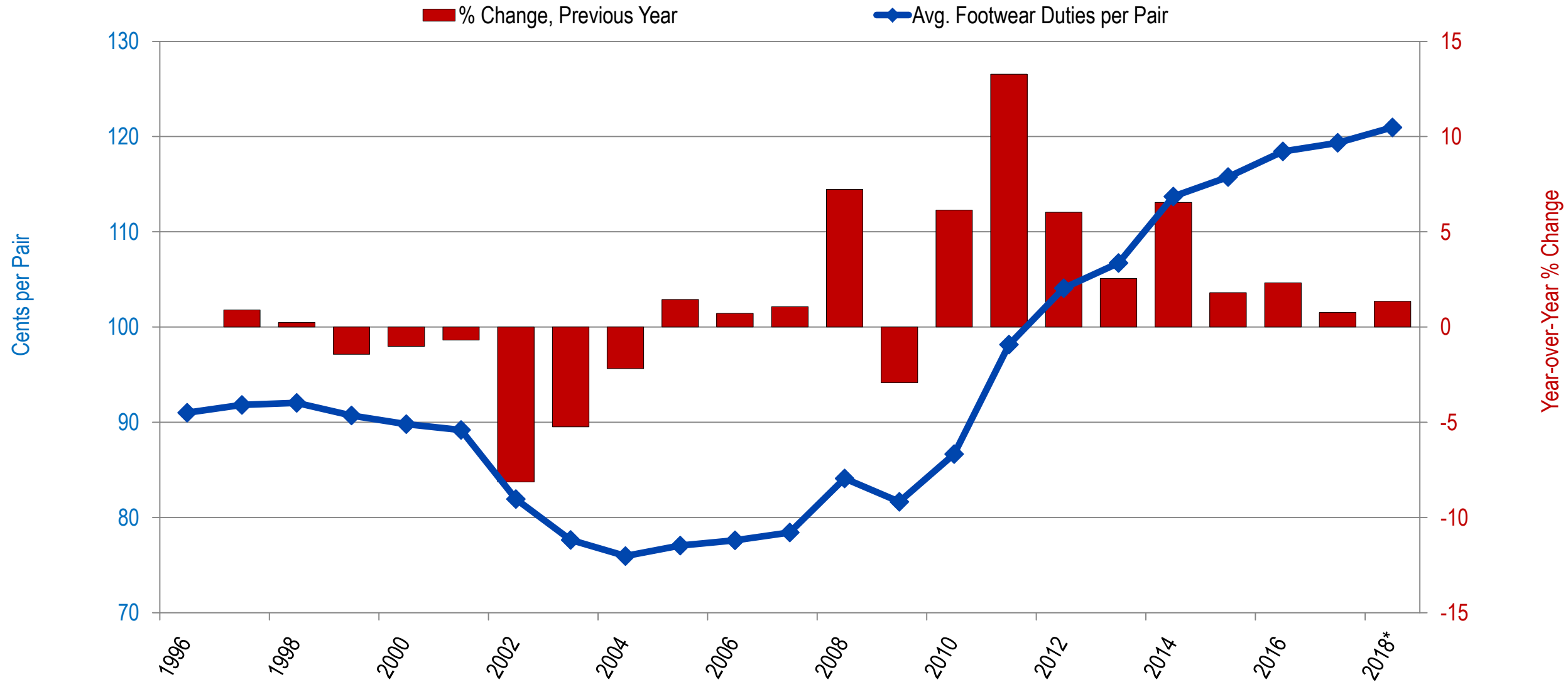


Cost Differences are not why China Loses Share—and Vietnam Gains

Average Landed Cost of U.S. Footwear Imports, by Origin

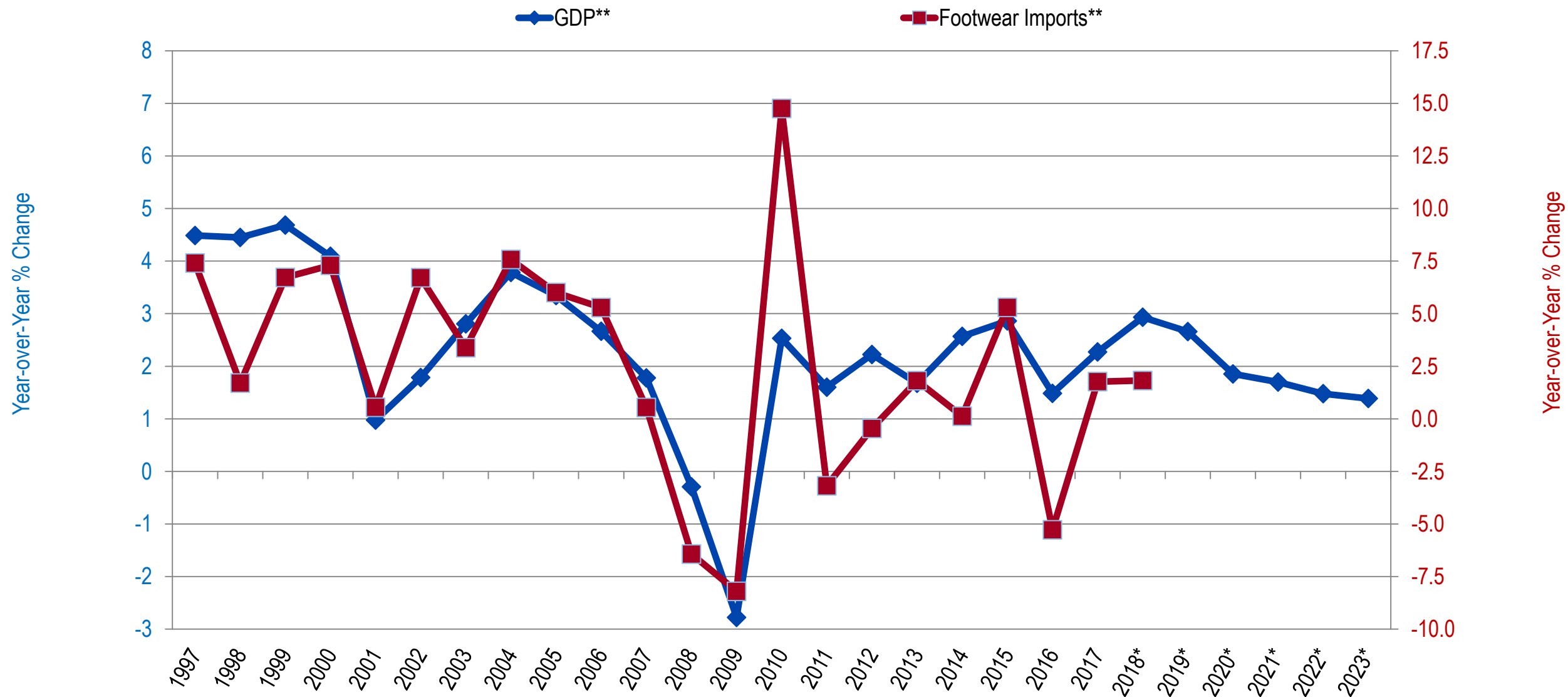


Footwear Duties per Pair set to Climb to a Record in 2017



Source: USITC. * FDRA forecasts.

Slower US GDP Growth Forecasts Hint at Easing Gains in Footwear Imports to 2022



Sources: IMF & USITC. * IMF forecasts. ** Constant/volume basis.

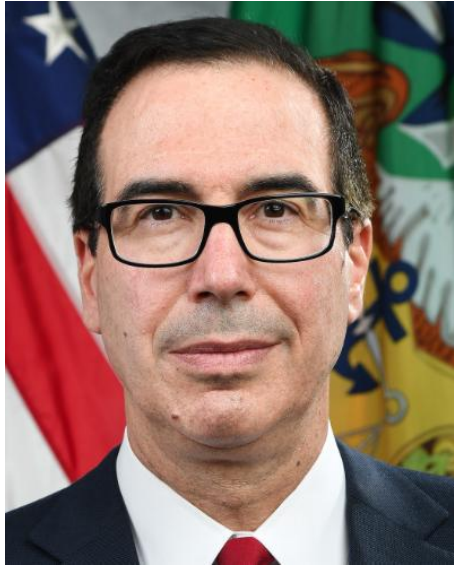
Major Shifts in U.S. Trade Policy



Major Shifts in Key Players for U.S. Trade Policy



**Wilbur
Ross**
Commerce
Secretary



**Steve
Mnuchin**
Treasury
Secretary



**Larry
Kudlow**
Director, National
Economic Council

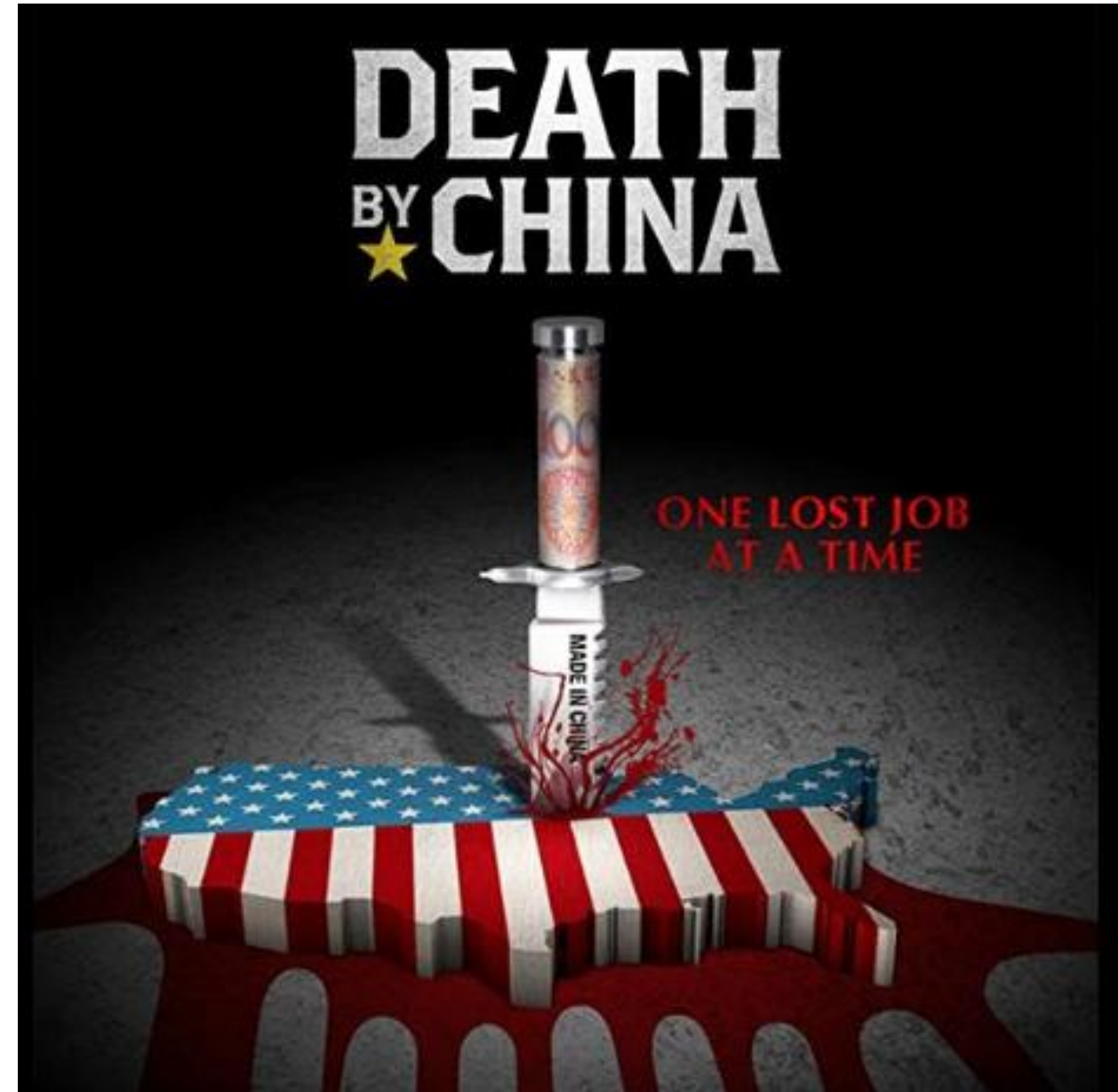


**Robert
Lighthizer**
U.S. Trade
Representative



**Peter
Navarro**
Director,
National Trade
Council

Major Shifts in Key Players for U.S. Trade Policy



Key Players in U.S. Trade Policy



Key Players in U.S. Trade Policy



The Role of Congress in Trade

The Trade Rollercoaster

POLITICO

Trump threatens China with tariffs on \$267B more goods

By MEGAN CASSELLA and DOUG PALMER | 09/07/2018 02:23 PM EDT | Updated 09/07/2018 04:32 PM EDT

President Donald Trump on Friday threatened to hit Beijing with tariffs on an additional \$267 billion in goods, a move that would expand the growing trade war to cover virtually everything the United States imports from China.

Speaking to reporters on Air Force One, Trump said his administration has another new round of tariffs ready and that he's prepared to impose them "on short notice."

POLITICO

Trump signs tariff-cutting bill into law

By SABRINA RODRIGUEZ | 09/14/2018 10:00 AM EDT

With help from Doug Palmer

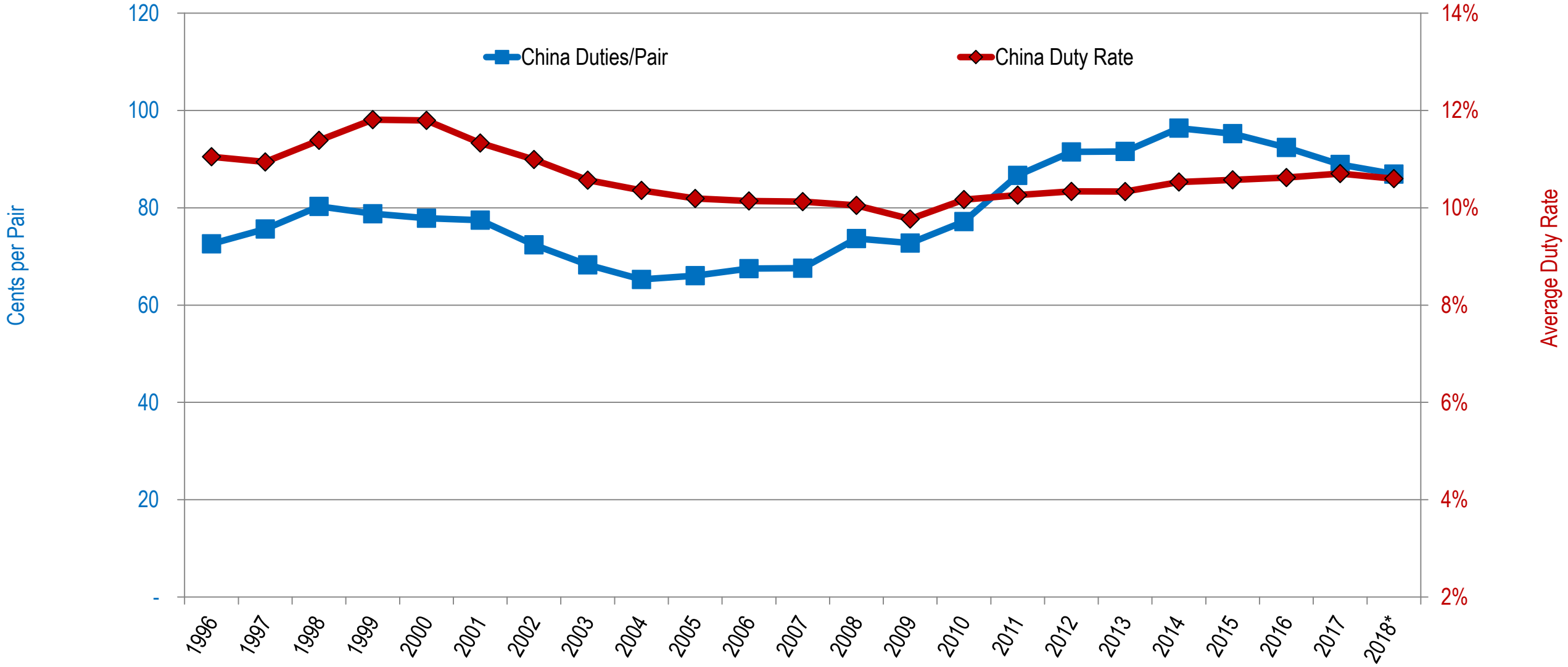
TRUMP SIGNS TARIFF-CUTTING BILL INTO LAW: President Donald Trump signed legislation on Thursday that would reduce tariffs on nearly 1,700 imported products used by U.S. manufacturers — an uncharacteristic move for the leader who has shown an affinity for imposing tariffs on foreign goods.



Tariffs: Waiting on the other Shoe to Drop?

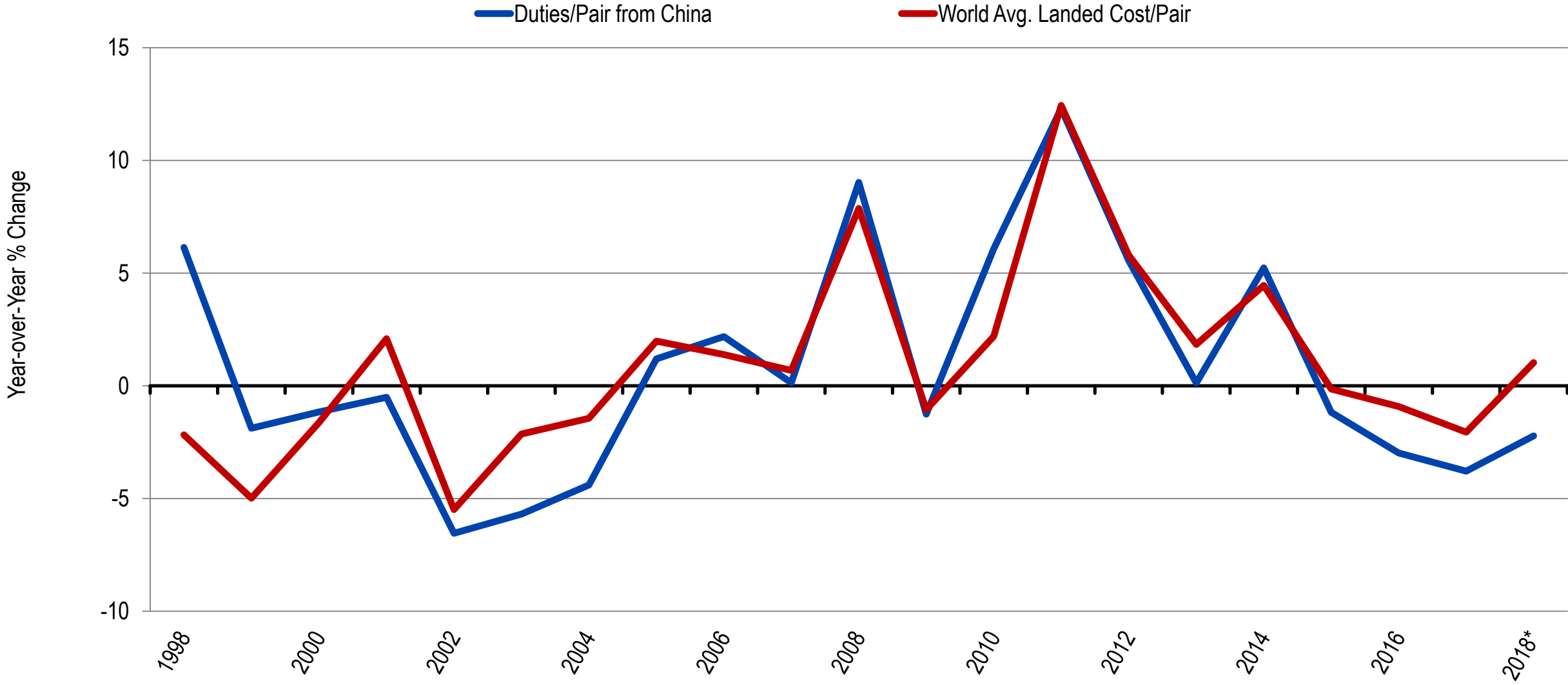


Impact of Higher Tariffs on Footwear from China #1



Source: USITC. * FDRA forecasts.

Impact of Higher Tariffs on Footwear from China #2



Source: USITC. * FDRA forecasts.

Temporary Tariff Relief for Footwear

FDRA List for Footwear Lines in the 2018 Miscellaneous Tariff Bill (MTB)

H.R. 4318 (The MTB) will provide temporary tariff reduction for certain products entered, or withdrawn from warehouse for consumption, 30 days after the MTB becomes law and imported on or before December 31, 2020. This FDRA member document covers MTB lines for products covered by Chapter 64 HTS. The MTB also impacts hundreds of other HTS lines, including some items from Chapter 61 and Chapter 62 HTS.

Ch. 99 HTS	Article Description (Must Meet to Qualify for MTB Duty Relief)	Chapter 99 Duty Rate	Chapter 64 Duty Rate	Bill Section Number and Title
9902.13.92	Sports footwear, with outer soles and uppers of rubber or plastics, valued over \$12/pair, for men (provided for in subheading 6402.19.90)	8.7%	9.0%	SEC. 1264. SPORTS FOOTWEAR FOR MEN, VALUED OVER \$12 PER PAIR.
9902.13.93	Sports footwear, with outer soles and uppers of rubber or plastics, valued over \$12/pair, other than for men (provided for in subheading 6402.19.90)	8.5%	9.0%	SEC. 1265. SPORTS FOOTWEAR FOR WOMEN, VALUED OVER \$12 PER PAIR.
9902.13.94	Men's work footwear with outer soles and uppers of rubber or plastics, covering the ankle and having an oil-resistant and slip-resistant outer sole (provided for in subheading 6402.91.40)	FREE	6.0%	SEC. 1266. MEN'S OIL AND SLIP RESISTANT OUTSOLE WORK FOOTWEAR.
9902.13.95	Protective active footwear for men (except footwear with waterproof molded bottoms, including bottoms comprising an outer sole and all or part of the upper and except footwear with insulation that provides protection against cold weather) whose height from the bottom of the outer sole to the top of the upper does not exceed 15.34 cm (provided for in subheading 6402.91.42)	FREE	20.0%	SEC. 1267. MEN'S SHOES WITH OUTER SOLES AND UPPERS OF RUBBER OR PLASTIC.
9902.13.96	Protective active footwear for women, with outer soles and uppers of rubber or plastics (except footwear with waterproof molded bottoms, including bottoms comprising an outer sole and all or part of the upper and except footwear with insulation that provides protection against cold weather) whose height from the bottom of the outer sole to the top of the upper does not exceed 15.34 cm (provided for in subheading 6402.91.42), such footwear, if valued at \$26/pair or higher, without openings in the sole or upper designed to vent moisture	1.0%	20.0%	SEC. 1268. WOMEN'S PROTECTIVE ACTIVE SHOES, COVERING ANKLE.

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Staying Engaged on Trade Issues



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