



March 26, 2021

Urgent Notification to Our Valued Customers from Ian McClaskey, Vice President of Sales & Marketing:

I would like to take this opportunity to provide you with the most current information available to us as suppliers to the steel rule die industry.

So that you can begin to plan accordingly—from planning inventory to how you approach issuing quotes and lead times to your customers, I want you to be aware of the rapid and drastic changes that are taking place in our industry. Please know that we will continue to provide you detailed updates as they become available.

As your valued partner, we purchase our birch die boards from the top three North American importers. All are indicating that significant delays and higher pricing are now a certainty.

We purchase our maple die boards from the top manufacturers in North America, and all have issued similar notifications.

The net result is that price increases on various dieboards are currently tracking at 5-15%, depending on species and origin, with further indication that they will likely continue to go higher in the months to come.

Meanwhile, many other manufacturers of products that feed our industry—from steel, to adhesives, to the building block materials used in the production of polyurethanes, plastics, and rubber are also facing similar challenges that have led to shortages, allocations, and ultimately price increases.

What is Causing This:

- Extremely strong demand, especially in China and the United States
- Political issues:
 - Russia announced it will not sell logs to Asia starting in 2022, resulting in a run on logs by China.
 - Anti-dumping tariff placed on Russia by the EU, creating demand as buyers attempt to get ahead of this tariff.



- Global stimulus spending by governments to counter the events of COVID-19. Globally, more than \$13 trillion dollars have been committed to stimulus funding.
- Transportation costs and the availability of containers for shipping products.
 - Based on current price forecasts and product landing dates, it is clear that this is now affecting both, price AND the timeliness of deliveries—to our docks, and to your door.
 - There is an extreme, world-wide backlog of containers for shipping, both at the ports of origin and in the U.S. Not only are containers difficult to get, but those that are sailing are sitting for quite some time. This is adding weeks to delivery times.
 - Container prices are expected to increase \$1,300 to \$1,500 next month, making them over \$5,000 per container. Future quotes indicate that the trend will continue, as May containers are currently being priced at \$7,000 or more.
 - Domestic truck lines are overbooked, delayed and increasing their rates. We have seen a 50% spike in domestic truck transportation costs just in Q1 of this year.
- U.S. mills are switching from Hardwood to soft wood production, thereby creating additional demand.
- Mill closures due to COVID that created labor shortages.
- Crude oil prices tripling in the past year, creating increased manufacturing and transportation costs.
- The recent weather events in Texas that forced many key suppliers to critical industries such as adhesives and plastics to declare Force Majeure.

What We Are Doing:

To be clear, cost increases are imminent, as are potential product delays. We will continue to communicate the market conditions as they are reported, and we will provide you with as much advance notice as possible so that you may continue to prepare accordingly.

As a company, Freeman is committed to a forward-looking strategy to stay ahead of this situation as much as possible. We continue to try and leverage our position so as to minimize these increases wherever possible. We are talking to suppliers daily to plan, purchase, and stock as much material as we can in an attempt to give us, and you, the best chance of staying current with product demand.

Details of these increases will be forthcoming as we begin to settle on the timing and amounts of each one.



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We thank you for your continued partnership during this unprecedented time in our history. Please know that we are constantly working on your behalf, and we join you in hoping that this situation will be temporary, and short-lived.

Sincere Regards,

Ian McClaskey
Vice President, Sales & Marketing
Freeman Manufacturing & Supply Company