




STANDING SEAM SPOTLIGHT


An Educational Bulletin for Metal Roofing Professionals

Mid-Year Material Cost Update

As we approach mid-year, it is becoming more and more apparent that rising raw material costs will impact most every sector of the construction industry. Strong global demand, rising energy and transportation costs, and limited production capacity are all key factors contributing to steadily rising costs of construction metals, including steel, aluminum, copper, zinc, nickel, and molybdenum. Further fueling the price volatility is speculative trading of commodity futures, which is driving daily price swings of as much as 12%.



Carbon Steel



Cold-rolled coated steel is the most prevalent material used for standing seam metal roofing. Zinc, the primary metal used for the hot-dipped coatings on carbon steel, is currently in short supply and trading at an all-time high price. Iron ore producers have recently negotiated price increases with steel producers in Europe and Asia. Regarding domestic production, energy prices are affecting the cost of producing steel by the electric furnace method, a common method in the United States. A major accident at a Chicago area mill and scheduled maintenance shut-downs at other facilities are further constricting supplies. Finally, a weak US dollar and inflation concerns are limiting the availability of foreign steel offers from import traders.

Stainless Steel

For quite some time now, historically high prices for molybdenum have been responsible for significant price increases in Type 316 stainless steel. More recently, the cost of nickel has affected base price and surcharge rates of Austenitic grades, such as Type 304 and Type 316 stainless steel. Demand has been strong, and mill lead times are running 3 to 4 months or longer. Terms continue to be "price in effect at time of shipment," meaning no firm pricing is available until the material has been shipped to the buyer.





Aluminum and Copper

Aluminum and copper prices have been severely affected by speculation in the futures market. In May 2006, copper futures reached an all-time record high, and aluminum ingot prices reached a 17 year high. To put these increases into context with historical average prices of just a couple years ago, copper has increased nearly 300% and aluminum has increased over 80%. Both metals have experienced daily price fluctuations of over 10%.

Other Factors

Energy prices continue to result in surcharges assessed for transportation of raw materials, as well as costs to paint steel and aluminum coils for metal roofing and wall panel products. Environmental regulation, consolidation, and pension legacy costs continue to position domestic suppliers at a disadvantage to foreign sources, especially those in Eastern Europe and Asia.



Outlook

The near-term outlook for the remainder of 2006 will be similar to experiences in 2004: upward price pressure and moderate supply shortages. Manufacturer's with strong financial support and forward looking supply chain management will be better positioned to meet construction deadlines and honor quoted prices. For others, non-negotiable and short notice surcharge announcements may once again become normal terms. Additional consolidation and/or bankruptcy remain possible for those entities that lack the financial resources to obtain raw material or honor price quotes.

