

STEEL COSTS JUMP (AGAIN)

By Tom Wadsworth, Editor

Editor's Note: In the last several weeks, we've been hearing of more raw material cost increases hitting manufacturers and dealers. Steel has been most affected.

To investigate, we talked to John Packard, a 30+-year veteran in the flat-rolled steel industry and the founding father of the "Steel Market Update" report. Packard also has years of experience selling steel to garage door companies and is a former member of DASMA and its predecessor, NAGDM.

In recent months, how much have steel costs increased for the garage door industry?

The cost of steel began its upward trend around the first week of November 2010. Since then, galvanized base costs from the steel mills have increased from about \$31.50/cwt (hundredweight) to an average of \$46.25/cwt in mid-February.

At the same time, the cost of zinc (for galvanizing) has increased to approximately \$1.15/pound from a low of about \$.73/pound in May 2010.

To put this into perspective for the garage door industry, a typical .018" (25 gauge) G40 DDS galvanized substrate (double width) was priced from the steel mills at approximately \$40.70/cwt in early November. In mid-February, the same steel was approximately \$55.70/cwt.

What have been the top two or three primary reasons for these increases?

The primary reason is raw material input costs, especially for scrap metal, which has increased by \$100 per long ton during this time period.

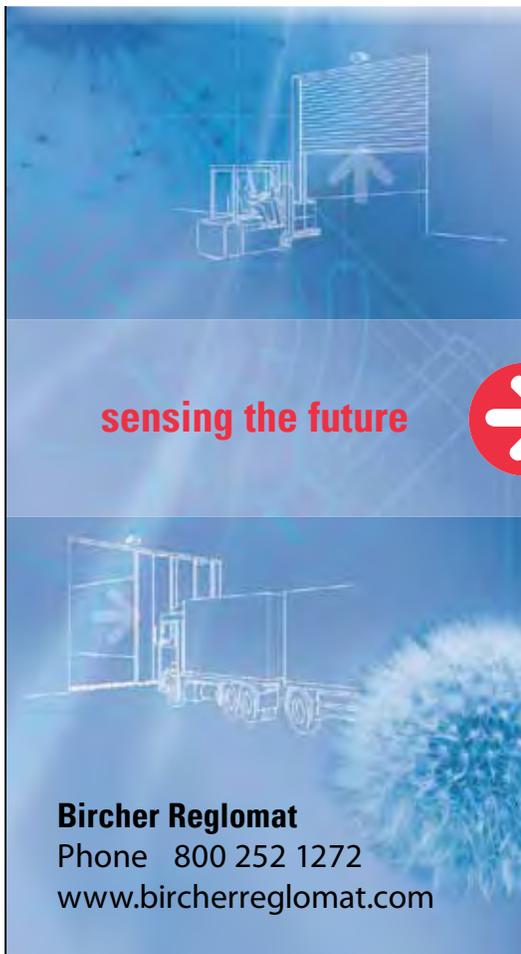
Another reason is losses at the domestic steel mills. In early November, they were selling steel *below their cost to make the product*. There is also a lack of cheap foreign steel to help take the edge off domestic prices.

And finally, there is an increase in demand from many industries such as automotive, energy, and agricultural. At the same time, the construction markets are now beginning to bottom out.

What's your best forecast for steel costs for the second and third quarters of 2011?

We believe costs will continue to rise, albeit at a slower pace through April and possibly into May lead times. As we get into the warmer months, scrap costs should fall, and seasonal factors will come into play, which should bring some relief. ■

More information about steel prices and trends is available at www.SteelMarketUpdate.com. You can get a free trial of Packard's newsletter, "Steel Market Update," at the Web site.



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