



Foundation Building Materials

March 18, 2021

To our Valued Customers:

We are in very unusual times with our supply chain partners. We are now on allocation on drywall, joint compound, steel studs, acoustical grid, insulation and many other products. The cause of these product shortages includes the following:

- Labor disruptions due to Covid cases and protocols.
- Capacity adjustments made prior to or during Covid that have not been fully restored.
- Raw material shortages – shortage of one ingredient can stop or limit production.
- Transportation – demand for container shipping and trucking have out stripped supply in many markets, causing delays in shipping and large cost increases.
- “Just in Time” production has been severely impacted by labor, material and transportation challenges.
- Weather related power outages and natural gas curtailments significantly interrupted the production and supply of many products.
- The prolonged freeze in Texas caused significant damage to manufacturing plants and exposed many issues that are now requiring major upgrades in these plants – not a quick fix in many of these situations.

The market has seen unprecedented increases in prices on many products including lumber and steel and also unprecedented lead times – some stretching out as much as 6 months for various products. Here are a few more specific issues related to our core products:

- Drywall – the supply of synthetic gypsum has decreased substantially as coal-fired power plants have been closed or converted to natural gas. The lack of syn gyp supply has stymied production and where suitable replacement material has been sourced, it has been at a huge premium on cost. Demand for residential building has also been robust and this has added to the supply challenged issues.
- Joint compound – the major storm that hit Texas crippled the production of latex – a key ingredient in both paint and joint compound. Our joint compound suppliers have had force majeure invoked on them by the latex suppliers.
- Steel - the steel industry has a worldwide shortage which has impacted the supply of coil and the related supply of steel studs and acoustical grid. Our suppliers have indicated that this may be normalized by the end of the summer, but availability and price are expected to be huge challenges for the foreseeable future.
- Insulation – there has been an ongoing shortage of fiberglass batts due to residential demand outstripping supply. Recent storms, transportation issues and most recently a