

Industry Update & Price Increase

By Patti DeWalt (<https://mybuildernet.com/author/pdewalt/>) | August 12, 2021

A surge in demand and relentless disruptions in the global supply chain has caused real challenges for our industry and our businesses. As a result, lead times continue to push out. In addition, some builders are experiencing project delays or backorders due to shortages beyond our control.

While many factors have influenced these circumstances, here are a few of the most critical:

- Steel price increases (supply shortages after COVID mill shutdowns and lack of imports)
- Increased steel demand in other industries (automotive, infrastructure, etc.)
- Longer than usual lead times for conventional solutions that drove business to PEB
- Shortages in the labor market
- Global shortages in transportation

Due to continued rising costs and extraordinary demand, Butler Manufacturing™ is announcing a 10-13% price increase, effective Saturday, September 4, 2021.

Please note, as always, Butler reserves the right to fully re-price any order that changes and any project that goes on permit or approval holds will be fully re-priced once released for production. In addition, we are continuing to see increases from our vendors for certain buy-out materials and those increases will be passed on via change order. We will continue to communicate those increases to you as early as possible.

Over the past six months, we have been diligently working to manage through these continuously changing market dynamics in our efforts to best service our Butler® Builders. We understand that compressing our backlog and reducing our lead time is critical to our ability to secure future work, and we're already on the path to do so.

We continue to work to increase our capacity as well as undertake other activities:

- Hiring across our entire footprint
- Paying more to secure raw materials
- Pursuing substitutions or qualified alternatives
- Seeking new suppliers/vendors

I thank you for your patience and encourage you to reach out if I can help with anything.

July 1, 2021 Update

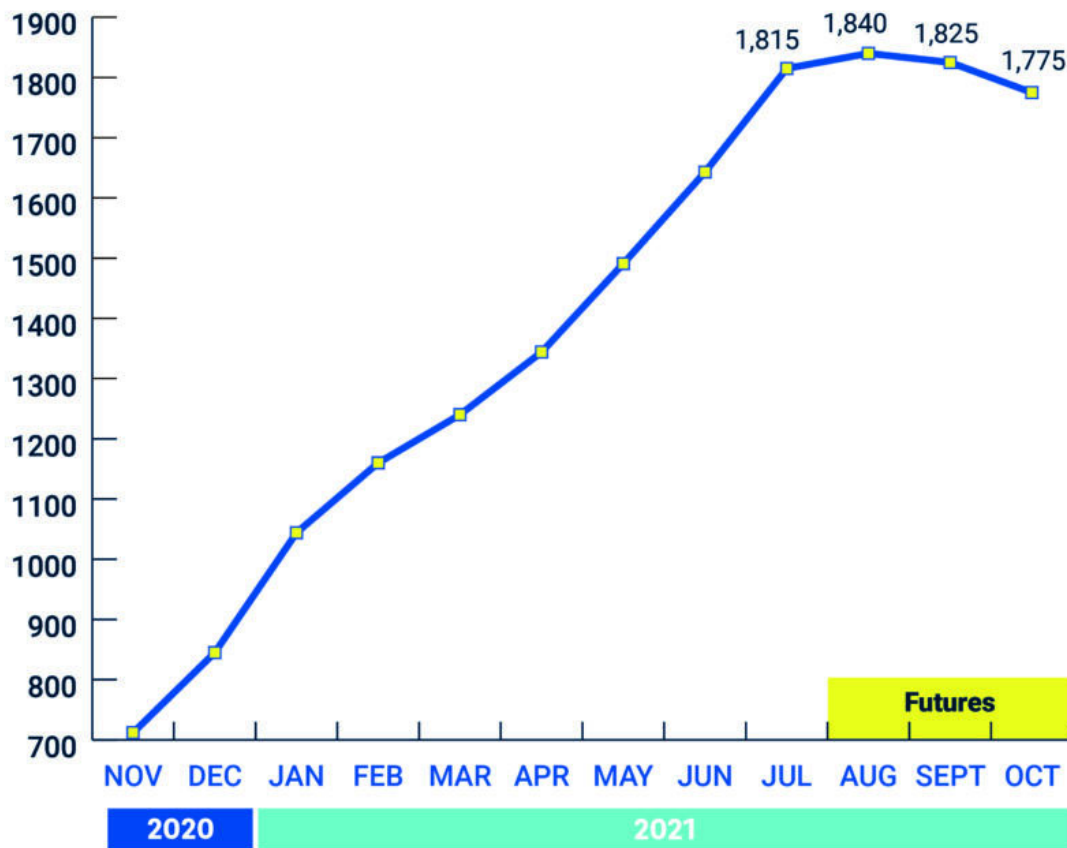
July Pricing Update

Summer has come quickly and with it, the US has started to open back up again. It feels refreshing to see people in person and to begin to meet more Butler® employees and builders. I feel fortunate that we have so many strong and enduring partnerships; that will help us tackle another year filled with industry and economic challenges together.

As you have likely noticed, steel prices continue to increase. The chart below shows US domestic hot-rolled coil steel and the futures over the next few months.

Due to these rising costs, Butler Manufacturing™ is announcing a 5-7% price increase, effective Tuesday, July 6, 2021, for orders placed through EZParts™ (<https://mybuildernet.com/ezparts/>) and FastRoof® (<https://mybuildernet.com/software/>) and effective for all other orders,

including Classics and custom buildings, on Saturday, July 17, 2021. The next update to **Advantage® NXT** (<https://mybuildernet.com/Software/>) will reflect these pricing changes. Until then, all Advantage priced projects need to be reviewed by your Area Manager prior to being submitted as an order.



Project lead times continue to be extended. Currently, a new order entered is being scheduled in the second half of 2022 with some smaller classic projects delivering earlier. This is simply unacceptable, so we are diligently working on this as our top priority. While not compromising quality, we are considering all opportunities to increase our capacity, including paying more to expedite materials and services for our business, and outsourcing or contracting work to compress our backlog of business. We are optimistic these efforts will yield positive results.

Manufacturers across the industry are also being challenged with global supply chain shortages in a variety of raw materials and components. The purchasing power of BlueScope Buildings has sheltered Butler Manufacturing from many of the adverse effects of these economic issues, but the market is at a pivotal point

where we are now starting to feel an impact. The result is that some projects will be delayed due to raw material shortages that cannot be prevented or controlled by Butler. Access to materials is also extending the turnaround time on EZParts and roof orders; parts orders will take up to two weeks, while roof orders could be four to six weeks out. Your Butler Project Manager will be reaching out should these shortages cause a project to be late. We apologize in advance and appreciate that this is not easy to accommodate for our builders.

Wishing you a safe and celebratory 4th of July!

April 28, 2021 Update

Increases in Costs Continue

In 2021, the construction industry is expected to grow by 15.6%. Combined with raw material shortages, rising labor costs, a shortage of truck drivers, ocean port delays, lumber price hikes, and steel increases, this makes 2021 quite a rollercoaster. I strive to keep you informed during this time so we can work cooperatively towards mutually beneficial outcomes.

If you would like to learn more about the above market dynamic complexities, here are a few resources:

- **US Construction Material Cost Shock Escalates**
(<https://www.constructconnect.com/blog/u.s.-construction-material-cost-shock-escalates>)
- **Lumber Costs Rise by 232%** (<https://fortune.com/2021/04/27/lumber-prices-are-up-232-and-it-could-spiral-out-of-control-in-the-next-few-months/>)
- **Labor Gap of 430k Workers This Year**
(<https://www.constructiondive.com/news/construction-will-face-a-labor-gap-of-430k-workers-this-year-abc-says/597399/>)
- **2021 US Construction Industry Market Size & Forecast**
(<https://www.businesswire.com/news/home/20210310005574/en/2021-United-States-Construction-Industry-Market-Size-Forecast-by-Value-and-Volume-Across-40-Market-Segments-->)

ResearchAndMarkets.com#:~:text=The%20construction%20industry%20in%20the,the%20United%20States%20remains%20intact)

- **Supply-Chain Crisis as 21 Cargo Ships Float Off the Coast of LA**
(<https://www.businessinsider.com/cargo-ships-waiting-to-dock-california-contributes-supply-chain-crisis-2021-4>)
- **Suez Effects to Stretch into June, Container Shortage to Worsen**
(<https://www.supplychaindive.com/news/suez-blank-sailings-port-antwerp-sea-intelligence/599011/>)

These challenges are being realized and having an impact on every participant in the construction process. That includes Butler Builders, Butler Manufacturing®, our suppliers, competitors, component parts, subcontractors, GC's, etc. The story is no different for other steel-based goods, including galvanized (up 51% since January) and scrap (up 48% since January). These suppliers face the same supply-chain and lead time difficulties impacting the industry at large.

As is evident from the chart below, US domestic hot-rolled coil steel continues to increase with little expectation of a significant change in 2021. Previously, the futures markets predicted the increases would level off and start to decline by the end of Q1 2021, but this has not come to fruition. Steel prices have continued to rise at an unprecedented rate as market demand remains strong and the future economic growth is promising. This is exacerbated by the steel mills that previously decreased capacity based on COVID expectations of a decline combined with limited imports into the US by foreign steel suppliers.

Given the rising costs, Butler Manufacturing will implement an 8-12% price increase, depending on the project, effective on all orders placed on or after Sunday, May 23, 2021, including EZParts and FastRoof orders.

Lead times are extended well beyond our targets with the largest and most complex projects being scheduled to deliver in 2022. Simple work, including Classics, if ordered now, should not be expected to deliver until Q4 2021. These schedules are largely driven by a large backlog which is consuming manufacturing resources.

We are investing in capacity in multiple areas of the business, including manufacturing, engineering, quoting, and quality. These gains will help support a larger and stronger business in the future but will take time to implement effectively. Safety and quality are paramount to everything we do so we take care

not to compromise in those areas, even as we get very busy. We are also leveraging our extensive relationships across the industry and our supply chain to ensure a stable and reliable supply for our Builders.

We encourage Butler Builders to provide clear and transparent information to their clients about rising costs and long lead times. Protect your business by including escalation clauses and sharing this market information across your teams. Butler is supporting Builders by continuing to provide 30 day terms on pricing, but expect a price increase if your quote expires. If a project goes on hold or has a major change, it will be re-priced based on the applicable pricing at the time of the change.

All competitors have taken price increases to the market. Our biggest competitor recently took another 9.5% increase this month. Furthermore, some competitors are allocating purchases based on past purchases.

We ask that you help us keep our finger on the pulse of this dynamic market. Working as a team to discover competitive intelligence will yield higher revenues and more wins for us both!

As always, if you have any project specific questions, please contact your project manager or area manager.

Click here (<https://www.steelonthenet.com/market-outlook.html>) to learn more about hot-rolled coil steel prices remaining record-high.

April 14, 2021 Update

Increases in Costs Continue

The metal buildings industry continues to experience rising costs and extended lead times. The U.S. flat steel supply shortage is expected to continue well into the second half of the year and pricing is expected to continue increasing, although at a slower pace. Concurrently, demand for our products and services remains high and many Butler® Builders are reporting strong market activity and a positive outlook on future growth.

As we navigate these challenging and exciting times, please note the following:

- Butler prices are increasing to keep pace with raw materials and building components.
- Any order that is placed and then undergoes major changes (height, length, width, bay sizes, or loads) will be fully re-priced using updated pricing guidelines.
- Any project that goes on permit or approval holds will be fully re-priced once released for production.
- You can expect longer than usual lead times.

If you have any project specific questions, please contact your project manager or area manager.

Learn more about the volatility of the US steel market **here** (<https://www.fastmarkets.com/article/3983883/research-us-hrc-prices-to-remain-at-record-high-levels-into-h2-2021>).

February 17, 2021 Update

Increases in Costs Continue

Effective Monday, March 8, 2021, Butler Manufacturing™ will increase prices by 5-8% due to continued unpredictable increases in steel prices.

As shown in the graph below, U.S. hot-rolled steel coil has risen to more than \$1,100/ton and is expected to continue to rise into March. These price pressures are the result of reduced steel mill capacity since COVID, strong U.S. demand in a variety of industries, and slow steel import market. But steel is not the only building material impacted – bar joists, insulated metal panels, and windows have all increased in price.

As a partner to our Butler® Builders we would like to encourage you to use price escalation clauses in your customer agreements. We understand that sometimes a project needs to be put on hold or delayed. Frequently the scope of the project will evolve over time. When that happens, we want you to be prepared for that work to be repriced by Butler.

We appreciate your patience as this increased demand causes lead times to push out. We remain diligent in our pursuits of delivering the best product in a timely manner. We are dedicated to supporting your business and remain confident that we can provide a value that is competitive in the market.

If you have any project specific questions, please contact your project manager or area manager.

See this **article** (<https://www.steelonthenet.com/market-outlook.html>) on international steel pricing and the 2021 outlook.

January 13, 2021 Update

Industry Wide Cost Increases

The metal buildings industry continues to see significant price increases due to the demand of steel outweighing the supply. While we all hoped to see the spike in raw materials start to flatten out, it has continued to increase over the past several weeks. We are now in a shortage unlike anything seen since 2008 and it will take additional capacity and import pressure before we are likely to experience relief. Beyond the steel industry, we have also seen an increase in other building materials and extended lead times for those products. For example, insulation has risen 6-8%, windows are up 5%, and insulated metal panels are up 10%. In addition, due to high demand, lead times for bar joist and deck are extended into April.

We anticipate that the next few months will continue to be volatile with some potential relief in spring/summer. Futures for the U.S. Midwest Domestic Hot-Rolled Coil Steel (CRU) are above \$1,000/ton from now through April 2021. Below is an updated graph on one specific commodity – U.S. hot-rolled steel coil:

As a result of these pricing pressures, Butler is announcing a price increase of 5-8%, effective on all orders placed on or after Monday, February 1, 2021.

During the next few months, some projects may experience longer than desired lead times, a common trend across the industry, as we respond to an increased number of orders received in advance of price changes. We are committed to providing the quality and service you expect from Butler, and we will continue to communicate openly with you as changes develop.

We hope you find this helpful as you set expectations with building owners. If you have any project-specific questions, please contact your project manager or area manager.

December 21, 2020 Update

Steel Market Volatility Continues

The US steel market continues to be very volatile with prices rising rapidly in the past several weeks. This is the result of steel mill closures earlier in 2020 combined with an increase in demand from across a variety of industries. Consequently, mills are reporting longer lead times and allocations.

The chart below details the historical trend of steel prices for one commodity type and includes a forward look at the futures market.

Butler Manufacturing™ is working hard to protect our supply chain and deliver on-time, high-quality building projects to meet your expectations. **As previously announced, our prices will increase for any order placed on or after January 4, 2021. I encourage you to communicate these rising prices to your customers and to place orders now to avoid this increase.**

If you have any questions, please contact either your Butler® Area Manager or Regional Sales Manager.

December 3, 2020 Update

Tight supply and high demand impacts pricing and materials availability

In recent months we have notified you about significant steel price increases due to tight steel supply and strong demand within the market caused by the COVID-19 pandemic. With reduced capacity due to mill closures, steel manufacturers throughout the U.S. are reporting longer lead times and material allocations, resulting in rapidly rising prices.

Given price increases to-date and the likelihood of further increases, we must take the following actions:

Workable Orders (orders without any hold status or delay in process)

Due to the rise in steel costs and availability, we will re-evaluate all current quotes and discounts for orders received on January 4, 2021 and /or shipped on or after May 3, 2021 to reflect an average 5% to 8% price increase, depending on product mix.

Hold Status Orders

Please contact your area manager to discuss discount modifications and re-quotes that will be required for any orders released from hold on or after January 4, 2021. All quotes and discounts will have a 30-day expiration, after which a pricing review and update will be needed.

Materials Status

It is important to note Butler has a strong and robust supply chain and can support our Builders through this period; however, our industry is facing some challenges sourcing certain coil material. We want to alert you of the potential disruption.

While we are doing everything possible to reduce any impact of these shortages, we expect a minimal number of orders to be affected, which could delay delivery. Your project manager may be in touch with you to discuss your existing projects and options. If you have any questions, please contact your project manager or area manager.

Click here (<https://www.fastmarkets.com/article/3962733/us-hot-rolled-coil-index-flat-sources-say-shortage-is-here>) to read an article from Fastmarkets, a leading provider of market intelligence, about what is happening in the steel market.

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