



BEC-DON

Bec-Don Ringgold, Inc.
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MEMORANDUM

TO: All Bec-Don Valued Customers

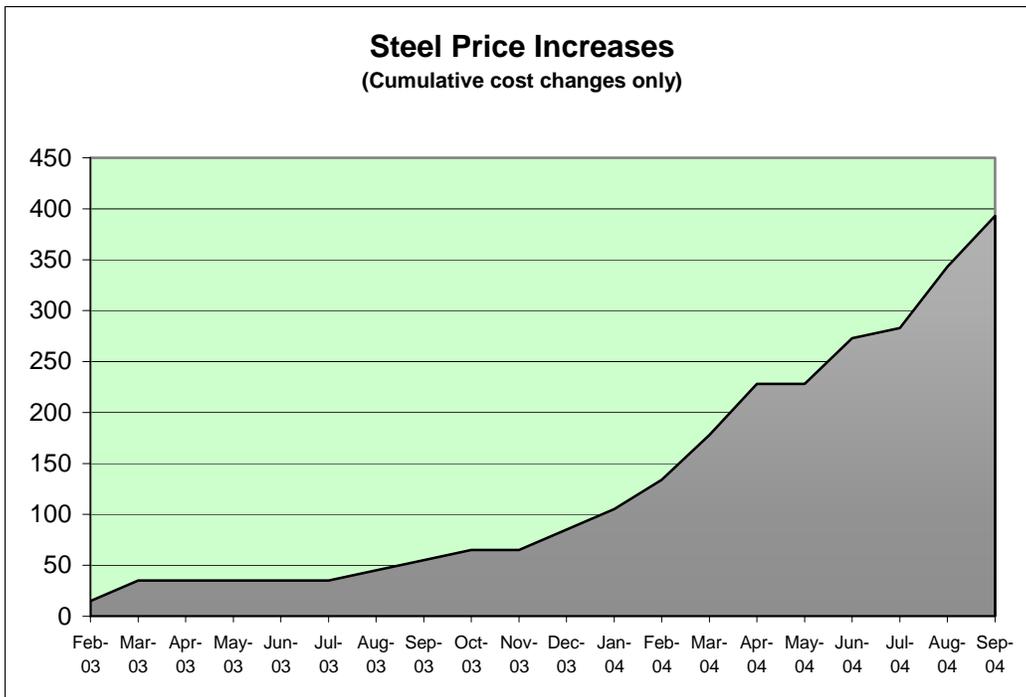
FROM: Chris Casey, Vice President

DATE: August 12, 2004

SUBJECT: Price and Availability Issues for Rebar

As many of you are aware, raw material prices continue to escalate, driven primarily by the costs of scrap steel and unfavorable currency exchange rates. Scrap costs over the last couple of years have risen considerably and are up over 200% since last summer. There are several reasons for this, with the primary driver being China buying as much scrap as they can on the world market to supply their dramatically increasing domestic demand for steel products. This is being compounded by parts of Europe showing signs of improving economies, especially Eastern Europe. They are now consuming more of the steel they previously sold to the rest of the world.

As a result of these unusual and unforeseeable cost drivers in the marketplace, the material cost of rebar has increased approximately \$298 per ton in 2004 alone, with a cumulative increase of almost \$400 per ton since February 2003 (not including other overhead costs or freight; numbers based on Nucor, Inc. published price announcements). Although not yet official, the mills have given verbal "warning" of a price increase in September similar to that in August.





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In 2004 alone, Nucor, Gerdau-Ameristeel, and SMI, the three primary steel mills serving the Southeastern US, have each announced price increases between \$360 to \$420 per ton. A recent *BusinessWeek* article ("Streaking Past Expectations," 8/16/04, page 75) documents that steel prices have "nearly doubled in the past 12 months."

While price pressures will continue to be of concern, a new issue has arisen that merits attention. Because of the increased demand for steel (and scrap) outside of the US, the mills are all indicating that availability of rebar for domestic use will be a significant issue in 2004. As a result, all mills have applied allocations to all fabricators, including their own mill-owned shops. What this means is that there may be situations where steel simply will not be available for a period of time. Such supply disruption possibilities must be considered when negotiating future contracts, especially on any large, fast-track projects.

Many of you have raised concerns and questions about the unpredictability of the current situation. We wish we could say when this situation will resolve itself. We can assure you that we – along with other fabricators, mills and related suppliers in our industry – are working closely with the Concrete Reinforcing Steel Institute (CRSI) to formulate strategies for minimizing the potential disruptions that this situation brings.

Until such time as the market stabilizes, we ask for your patience and understanding as we strive to provide the high level of customer service to which you are accustomed, given the constraints imposed by the unpredictable market. We are modifying our contract and proposal terms, incorporating price escalators when appropriate, and of course, adjusting our quoted prices in line with announced mill increases.

We hope that you will find this background information useful. If you have any questions, please give me a call. As always, thank you for your business.