

As 2021 comes to a close, one thing seems fairly clear – supply chain challenges, product availability issues and rising inflation are not a temporary phenomenon. The details of our Q4 update are focused on the key drivers of costs for our manufacturers and a summary of the latest information we have on the impact this will have on the year ahead. Given the dynamic cost situation, we would encourage customers to review our L&W Supply quote policy and discuss all price and lead time needs with your local L&W Supply associates.

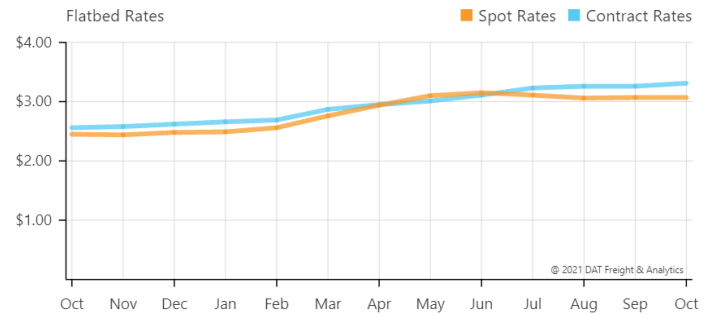
FREIGHT

- Flatbed trucking rates (both contract and spot rate) have risen over 25% in the past 12 months. Truck availability has improved slightly from the late Spring, but is worse than a year ago.
- Diesel prices are up over 50% in the past year.
- Semiconductor availability is creating issues with getting new trucks and servicing existing equipment.
- Costs for shipping containers have risen significantly and lead times have extended 3-6 months. Reports seem to indicate some improvement at ports, but don't expect things to return to normal for a while.
- There are no significant signs of improvement in truck capacity or any sign of relief in rising transportation costs.

U.S. On-Highway Diesel Fuel Prices*(dollars per gallon)

	11/22/21	11/29/21	12/06/21	Change from	
				week ago	year ago
U.S.	3.724	3.720	3.674	▼ -0.046	▲ 1.148
East Coast (PADD1)	3.690	3.684	3.658	▼ -0.026	▲ 1.085
Midwest (PADD2)	3.617	3.602	3.536	▼ -0.066	▲ 1.101
Gulf Coast (PADD3)	3.457	3.454	3.402	▼ -0.052	▲ 1.126
Rocky Mountain (PADD4)	3.841	3.824	3.780	▼ -0.044	▲ 1.239
West Coast (PADD5)	4.421	4.450	4.416	▼ -0.034	▲ 1.372

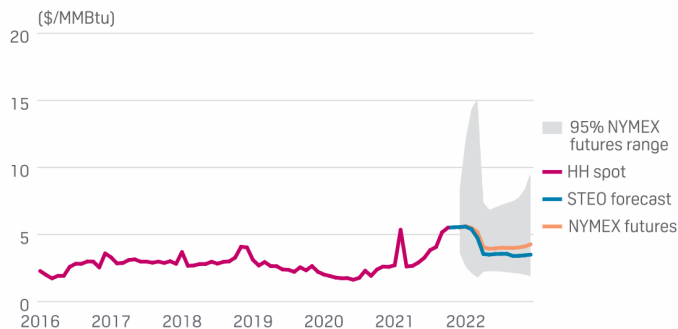
*prices include all taxes



ENERGY

- After several years of stability, natural gas prices rose over 50% in November.
- Forecasters predicting gas supply will be tight through the winter, but anticipate it easing slightly come spring of 2022.

HENRY HUB NATURAL GAS PRICE AND NYMEX CONFIDENCE INTERVALS



Note: Confidence interval derived from options market information for the five trading days ending Sep 2, 2021. Intervals not calculated for months with sparse trading in near-the-money options contracts.

Source: EIA's Short-Term Energy Outlook, CME Group, Refinitiv

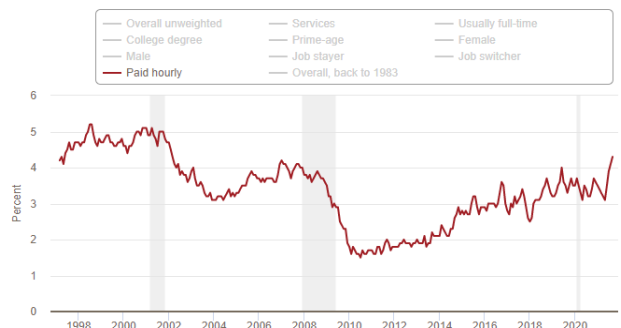
LABOR

- Wage rates continue to escalate – particularly for hourly employees
- Available labor has remained well below demand in the past 12 months
- Periodic COVID impacts drive inefficiency due to lost time

Wage Growth Tracker

three-month moving average of median wage growth, hourly data

Export



Sources: Current Population Survey, Bureau of Labor Statistics and author's calculations

FEDERAL RESERVE BANK of ATLANTA

GYPSUM/SYNTHETIC GYPSUM

- Synthetic gypsum (prevalent in the Eastern US) is available, but decreases in coal production have caused manufacturers to go further to find sources of material. Longer hauls and utilization of new sources have increased costs.
- Natural gypsum (prevalent in the Western US) has seen modest cost inflation from many of the other factors noted here.

PAPER/GLASS MAT

- Cost of OCC (Old Corrugated Containers) and DLK (Double Lined Kraft) have risen over 150% in the past 12 months.
- Glass mat availability remains extremely tight and demand for products that use glass mat (wallboard, shingles, etc.) have been strong. Expect that available supply will remain tight for at least the next 3-6 months.

US Recovered Paper National Averages – Aug.-Oct. 2021

(FOB seller's dock levels)

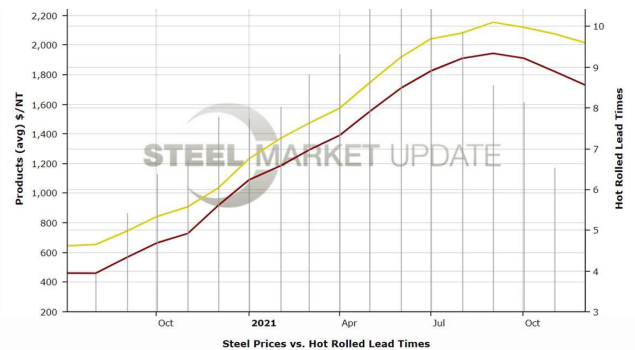
US average	Oct. 2021	Sept. 2021	Aug. 2021	October % chg. year ago
OCC OBM	164	167	159	182.8
DLK OBM	178	181	174	161.8

Notes: Pricing is based on levels to mills and numbers are rounded. FPI Pulp & Paper Week legacy national average prices, except for OBM national averages for boxboard cuttings, old corrugated containers, and new double-lined kraft corrugated cuttings. Added in July 2017 were the new mixed paper and sorted residential papers & news (SRPN), which replaces the retired old newspapers No. 8. n.a.=not meaningful.

Source: FPI Pulp & Paper Week.

STEEL

- Steel costs surged over 300% in the past 12 months. Costs have stabilized in the past couple months, but higher demand for autos (which are off their normal levels) could pressure steel prices.



OTHER RAW MATERIALS & OTHER PRODUCTS

- Silicone pricing (key raw materials in mold resistant board) has increased over 300% in the past 12 months
- Packaging costs (cardboard & plastic) have increased significantly.
- Latex, acrylics, plastic resins and many other raw materials impacted by the Texas storm have improved in availability, but nearly all have seen price increases in the past 6 months.
- Fiberglass insulation demand continues to be extremely high and new production capacity is not offsetting demand. Several manufacturers communicating that they expect planned availability to extend into Q2 2022. New blowing wool capacity expected to be fully operational in Q1 2022 should help some, but batt capacity will likely remain tight.
- Mineral Wool, polyiso and EPS supply remains tight and lead times are extended.
- Interior finishing production has improved throughout 2021. Supply/demand appears to be in better balance heading into 2022. Packaging and raw material costs escalated throughout 2021.
- Lumber pricing (also for pallets and other packaging) have dropped, but still remain elevated.

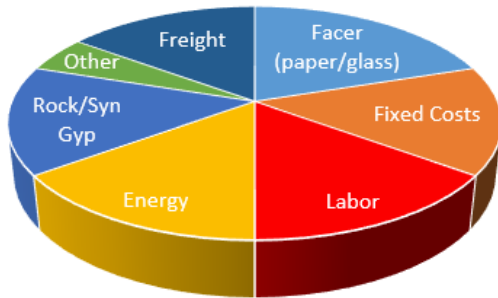
SUPPLY CHAIN/DISTRIBUTION

- Supply chain inefficiencies have led to several cost increases for most products. Greater levels of inventory, utilization of alternative sources (often higher cost), on-shoring of raw materials, etc. have increased the costs of many products and the costs to distribute them.
- While inventory levels for many products have improved, the supply chain remains fragile, so a number of factors could escalate costs or extend lead times at any moment.
- Many of the costs listed above (labor, diesel, supply chain) are also key costs for L&W Supply
- Job flow (or lack of job flow) has removed some service efficiencies for L&W and for our customers.

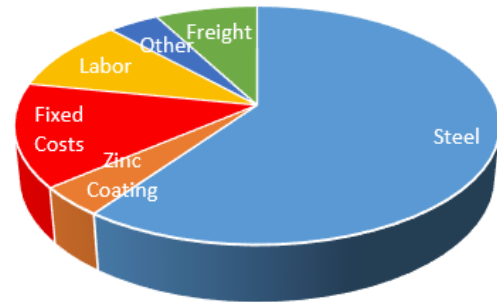
COVID IMPACTS

- COVID cases have escalated in Q4 – companies have worked to minimize impact, but significant increases in cases could create further strain on the limited workforce.
- OSHA vaccine mandates could create disruptions to labor availability.

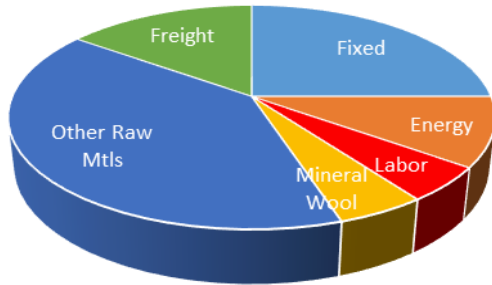
Wallboard Input Costs



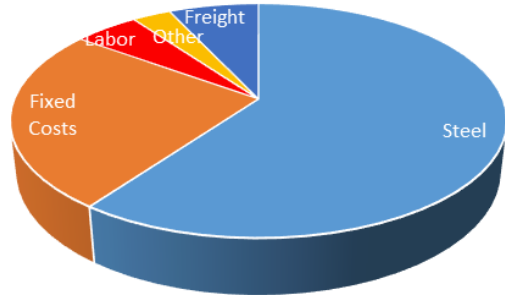
Metal Framing Input Costs



Ceiling Tile



Ceiling Grid Input Costs



Ready Mix Input Costs



Fiberglass Insulation Input Costs

