



March 26, 2021

Urgent Notification to Our Valued Customers from Ian McClaskey, Vice President of Sales & Marketing:

I would like to take this opportunity to provide you with the most current information available to us as suppliers to the tooling industry.

So that you can begin to plan accordingly—from planning inventory to how you approach issuing quotes and lead times to your customers, I want you to be aware of the rapid and drastic changes that are taking place in our industry. Please know that we will continue to provide you detailed updates as they become available.

Many industrial sectors are experiencing unprecedented challenges due to raw material shortages, transportation availability, and rapidly increasing prices. We have always been very careful to provide our customers with timely notifications regarding upward trending prices, and we have demanded the same from our vendors. However, the changes and increases we are currently seeing are global in nature, and they are happening at such a rate that we are unable to negotiate these matters to the degree we have in the past. Simply put, these changes are being imposed on all levels of the supply chain. Materials are becoming harder to get, and the lead times to which we have become accustomed are being pushed out weeks, if not months.

What is Causing This:

- Extremely strong demand—especially in China and the U.S. as companies come back online and start to try and fill pent-up demand.
- Global stimulus spending by governments to counter the economic events of COVID-19.
- Globally, more than \$13 trillion dollars have been committed to stimulus funding.
 - Labor shortages and shutdowns due to COVID fears and reactions.
- Severe weather events.
 - The recent weather events in Texas forced many key suppliers to declare Force Majeure, thereby further limiting materials available for production of resins, plastics, adhesives, and many others.



- Allocation strategies by manufacturers and distributors due to these events. This is essentially a rationing of the materials that are available by limiting amounts that can be purchased.
- Transportation costs and the availability of containers for shipping products.
 - Based on current price forecasts and product landing dates, it is clear that this is now affecting both, price AND the timeliness of deliveries—to our docks, and to your door.
 - There is an extreme, world-wide backlog of containers for shipping, both at the ports of origin and in the U.S. Not only are containers difficult to get, but those that are sailing are sitting for quite some time. This is adding weeks to delivery times.
 - Container prices are expected to increase \$1,300 to \$1,500 next month, making them over \$5,000 per container. Future quotes indicate that the trend will continue, as May containers are currently being priced at \$7,000 or more.
 - Domestic truck lines are overbooked, delayed and increasing their rates. We have seen a 50% spike in domestic truck transportation costs just in Q1 of this year, and we expect that this will continue to climb.
 - Crude oil prices have tripled in the past year which affects both, freight and production costs.
 - Due to these substantial delays, shipping companies are finding more value in turning empty containers around to China to be filled with cheaper, higher margin items than to wait for containers to be off-loaded in the U.S. and turned around with our own exports.
- The net effect of this global situation is rapidly increasing prices that occur with little, to no notice from manufacturers and distributors. We have received notifications from almost all of our suppliers of increased prices, and many are not providing the luxury of advanced notice.
 - Huntsman recently notified us that all products—across the board, are increasing to 10 to 18%, effective immediately.
 - Various species of wood, such as pine have seen increased market prices of 20-30%, while other suppliers are indicating “no supply for the foreseeable future”.
 - Adhesives, silicones, epoxies and polyurethane products have increased in cost.



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What We Are Doing:

We will continue to communicate the market conditions as they are reported, and we will provide you with as much advance notice as possible so that you may continue to prepare accordingly.

As a company, Freeman is committed to a forward-looking strategy to stay ahead of this situation as much as possible. We continue to try and leverage our position so as to minimize these increases wherever possible. We are talking to suppliers daily to plan, purchase, and stock as much material as we can in an attempt to give us, and you, the best chance of staying current with product demand.

Details of these increases will be forthcoming as we begin to settle on the timing and amounts of each one.

We thank you for your continued partnership during this unprecedented time in our history. Please know that we are constantly working on your behalf, and we join you in hoping that this situation will be temporary, and short-lived.

Sincere Regards,

Ian McClaskey
Vice President, Sales & Marketing
Freeman Manufacturing & Supply Company