



April 14, 2008
To our Customers,

Since our March 17 letter concerning wire market conditions, prices for carbon steel wire and rod have escalated at an unprecedented speed and magnitude. Between today and mid-May all North American carbon steel wire mills will increase prices by \$.10 - \$.1150/lb. Some mills are instituting their increase all at once, while others have announced two increases totaling \$.10/lb - \$.1150/lb by mid-May. This numbing price jump is in addition to the more than \$.11/lb increase we have experienced since January.

The tremendous increase was ignited by the price of scrap steel which increased nearly \$.08/lb last week. The *American Metal Market's* "Shredded Scrap Composite" soared to \$545/ton on Friday April 11. (This composite index has increased 75% since January!) Worldwide demand for scrap is very strong with export demand driving the prices for this scarce commodity higher. The shortage of carbon steel wire rod in North America continues to worsen due to the weak U.S. dollar, strong demand overseas, and higher ocean freight costs. The supply situation for wire rod is widely expected to worsen in the coming months. The shortage of rod continues to be leveraged by North American rod mills which continue to have little competition. Wire mill lead times have stretched to over two months in most products due to the rod shortages. Due to the extreme uncertainty of future prices and rod supplies, all wire mills are now quoting "price in effect at time of shipment" and cannot acknowledge firm delivery dates. In addition, "surprise" mid-month price increase announcements, or upward adjustments to previously announced increases, have further destabilized pricing. Industrial Steel & Wire (as well as all direct mill buyers) are now placing orders for future deliveries at unknown prices with sketchy delivery dates. Due to the chaos and uncertainty, Industrial Steel & Wire is forced to raise all carbon steel wire prices for the fourth month in a row as well as move to a policy of "price in effect at time of shipment" on all items that are not immediately available from our inventory. While we strive to maintain sufficient inventory to cover anticipated "spot" buys as well as blanket purchase orders placed, we cannot guarantee pricing on such orders and in some cases our ability to deliver upon demand will be compromised by late mill deliveries.

There is no clear "end game" for the current situation. As long as prices and demand remain strong overseas, the price of scrap and wire rod in North America will continue to increase. Scrap and rod are globally marketed commodities and if domestic producers find no willing buyers in North America, they will export their product.

Industrial Steel & Wire appreciates the support our customers continue to exhibit in the face of the substantial burden current conditions have placed on your costs. While the news is not good, we want to continue to keep you apprised of this rapidly changing situation.

Sincerely,


David Morris
Director of Sales