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July 8, 1988

SPECIAL REPORT: ROOF INSULATION SHORTAGES

Dear Member:

We have received widespread reports of shortages, price increases and delivery delays with regard to polyisocyanurate roof insulation. These reports have come from all parts of the country, and have intensified in the last several days.

It appears that the shortage is real, and that it is not likely to dissipate in the immediate future. Roofing contractors should be attuned to the situation, and should take appropriate steps in their business planning and job scheduling.

The information that follows is the result of conversations between NRCA staff people and key industry sources over the past several days. It is presented in summary form, and while we are not in a position to verify everything that was told to us, we believe that it is a fair representation of the circumstances that led to the current market situation.

BACKGROUND

Polyisocyanurate insulation consists of two essential chemical ingredients: isocyanates and polyols. Over the course of the last several months, the worldwide demand for isocyanates has increased dramatically, due in part to greater demand resulting from plant expansions in Europe and the Pacific, and to a stronger export market resulting from a weaker dollar.

In addition, ethylene is one of the raw materials used to produce polyols. Ethylene has been in short supply recently, and the situation has grown worse because of explosions at three major ethylene-producing facilities: one in Belgium, one in New England and one in Louisiana.

One insulation manufacturer reported that they have been experiencing shortages since the fourth quarter of 1987;

CONCLUSION

This report is a very brief sketch of a far-reaching and complicated issue. In a market that includes shortages, delays and sudden price increases, it is imperative that you keep informed and maintain close relationships with your materials suppliers and with your customers.

Enclosed with this report is a document entitled, "Proposals, Bids and Contracts." It will provide you with information to help you deal with your customers, and we encourage you to study it and consult with your attorney.

The market, by all indications, will continue to change rapidly. We encourage you to report your own experiences to us and, as always, to call on us for any additional information you may require.

Sincerely,

A handwritten signature in cursive script, appearing to read "Bill".

William A. Good, CAE
Executive Vice President

Enclosure