

This month's product promotions, company news and more.



## Welcome Back!

Welcome to a special edition of "In The Know With Ohio Valley Drywall Supply." We're glad to connect with you again!

This early-edition newsletter is focusing on the new steel tariffs and how they are affecting the industry.

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## Steel Tariffs and Market Conditions

President Trump recently enacted a new steel tariff that has already affected the market and will continue to affect it throughout 2018. Here's what you need to know.



- The newly signed Section 232 places a 25% tariff on all steel imported from countries other than Canada and Mexico.
- The metal framing industry has historically imported up to 80% of its steel, so fewer offers are being made.
- Steel prices have escalated across the market since November and we expect they will continue to rise.
- Overall inventory is tight, creating high lead times which will compound as we move into the summer.

### Effects On Steel Orders

Mills are now shipping the minimum contract tonnages on their orders, and metal framing manufacturers are only bidding new quotes for 180 days. Notice of Intent is also up to 90 days from the time of the quote, and all quotes must be contractually signed to be valid. Additionally, metal framing manufacturers and distributors are enforcing their written PO requirements on any jobs that were bid within the past year.

Customers should expect to see extended lead times on new orders due to inventory issues. The most impact will be felt with .033 and lighter materials, but special coated products may also have longer lead times.

### How The Tariffs Were Enacted

To understand how these tariffs came to be under Section 232, it is necessary to understand the underlying process.

Section 232 is part of the Trade Expansion Act of 1962, which gives the executive branch the ability to conduct investigations into imports for national security reasons. Under these rules, the Commerce Department must provide results of any such investigation to the president within 270 days. The president then has 90 days to evaluate whether or not the findings confirm a national security issue. If so, the president may enact tariffs or quotas on imports.

The current investigation was delivered by the Commerce Department to the president in January of 2018. In February of 2018, those reports were released to the public. On March 8, 2018, it was

announced that President Trump had signed two proclamations levying tariffs on steel and aluminum imports.

According to a statement from The White House:

"The reports concluded that the quantities and circumstances of steel and aluminum imports 'threaten to impair the national security,' as defined by Section 232. The reports found that United States steel imports were nearly four times our exports, and that aluminum imports had risen to 90% of total demand for primary aluminum. The Commerce Department recommended that President Trump take action to protect the long-term viability of our nation's steel and aluminum industries."

### **What's Next**

Some news outlets are reporting the possibility of a trade war with European allies. In 2017, the European Union (comprised of 28 nations) exported 5.3 million tons of steel to the United States, making it second only to Canada.

The Commerce Department has stated that companies can apply for an exemption as long as they are part of the domestic industry, but as of now it is unclear what rules apply. It is also unclear whether or not foreign companies with U.S.-based operations would be eligible.

President Trump is said to be considering exemptions for other countries on a case-by-case basis, as he has done with Canada and Mexico. Whether or not the European Union will eventually be granted an exemption remains to be seen.

If you have questions about how these new tariffs will impact your orders, please [contact us](#) to speak with a professional.

Sources for this article and further reading:

[Department of Commerce](#)

[CNN Money](#)

[CNBC](#)

[The White House](#)

[Platts](#)

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With two yards located just outside of Pittsburgh, PA and Washington, PA.