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Innovating Solutions for You!

THE RISING PRICE OF STEEL & HOW IT HAPPENED

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The price of commodities of all types has always been a roller coaster ride. The prices go up when supply is short and down when products are abundant. In addition, nature has a significant influence on commodities; drought, infestations, and disease can wreak havoc on agriculture and production. Sometimes, politics plays a hand in pricing as well.

The steel industry has faced what might be considered a perfect storm between politics and nature, and prices are up 200%. The primary cause of the price increase is a shortage of products, but the cause of the deficit is complicated.

Over the decades, steel production in the United States has dropped, and production elsewhere in the world has increased. Labor rates and controls on pollution are the main reasons for heavy industries like steel production to move operations overseas.

THE COVID EFFECT

Everything changed when the world went on lockdown due to the COVID-19 virus. Steel factories, like all businesses, were shut down as workers had to stay home.

The difference between the recession of 2008 and the COVID-19 pandemic is economics. In 2008, construction was at its peak, cranes dotted the skyline of most cities, and mid-to high-rise structures of steel rose from the ground. When the recession hit, developers lost their funding and walked away from their projects. Construction sites with steel skeletons stood abandoned for the next five years. By June 2009, the price of steel had plummeted to $380/Ton.

The opposite happened during the pandemic. During the third quarter of 2020, as people started receiving the COVID-19 vaccines, construction began to start back up, putting more demand on all construction materials that were not readily available. As available steel supplies began to dwindle, prices started skyrocketing to $1,080/Ton, which surpassed the previous high of $1,070 in July 2008, before the economic recession.

On top of the production challenges, the shipping industry is nearly at a standstill as cargo ships wait for weeks and months to be unloaded and then even longer for enough cargo to make the voyage worthwhile. For example, over 70 cargo ships have remained over four months to unload in the L.A. harbor. Shipping a container of goods was $2,500 before the pandemic; currently, costs are between $15K and $40K depending on the destination. Once on land, there is also a shortage of commercial truck drivers. Over 68% of all freight moves on U.S. highways.

SOLUTIONS

Aside from Call Innova? Here are three tips to employ to help save on cost and time:

1. Pick up the Phone. Designers and Developers are only a phone call away from knowing what is available at regional stockyards and when mill rolling dates fall. Knowing how your project falls into the procurement calendar and what stock is currently available will greatly inform decisions during the design process. Knowing is especially handy for light joist and deck projects where suppliers are booked out months in advance!

2. Partner with Industry Experts. Design Assist contracts are becoming more popular as they allow the sub-contracting teams to generate input into the design process, and sometimes that input becomes direct design supervision. Adding a Division 5 specialist to your design team will bring valuable insights to help control costs and scheduling problems. Sometimes they can "pick up the phone" for you!

3. Brainstorm Brainstorm Brainstorm.
Whether it is price, schedule, or something different, Developers need to find a solution to fit that driving need. It may come as a surprise; designers are not always creative. Asking for multiple structural solutions in the early conceptualizing phase of a project, including adding this to the RFQ documents, will get us on the right path to successful development. Note, the smaller the project, the less designers add brainstorming to their scope of work.

— By Craig Ruark for Innova Technologies, Inc.