



To: All Account Customers
From: Peter Turkstra, Jon Wagner, Dave Ovcjak
Date: Wednesday, August 12, 2020

We hope this note finds all of you and your families well, and we would like to extend our sincere thanks and appreciation for your continued support.

We are writing to you as we are experiencing unprecedented levels of inflation. Unfortunately, this is coupled with a lack of inventory in lumber, OSB, and plywood nation-wide & throughout North America. The pressure treated (PT) issue has spread to a systemic problem that has extended to all building products.

We don't like to be dramatic, but it is entirely possible that we may see significant outages in key commodities.

Unlike other "bubbles", this feels like the pricing may stick. The U.S. is booming, and they don't seem to care about what price they pay.

We are outlining some information on the causes, impact on pricing, and "next steps".

Our commitment to you is that we will do our best to help you to optimize your situation, given the options.

It is no fun being the "butcher without meat", so we have to move to allocation to help our customers as best we can.

We strongly suggest that you protect your products on site as they are highly valuable and an attraction to others!

Market Conditions – Very High Inflation:

The challenges we collectively face are product allocation and relentless price pressure.

The lack of raw materials has caused increased product shortages, product delays without notice, and now is driving significant price increases.

Some of the Reasons:

- Whitewood has more value in pressure treated (PT); you are likely aware that PT sales are up more than 70% and that most lumber yards are “out” and screaming/begging for the Mills to deliver.
- The U.S. has been busy and pulling products from Canada.
- Safety measures for Covid-19 have resulted in a loss of efficiency at plants & transportation (trucking & train).
- A significant surge in demand as many production builders are playing “catch up” due to the government shutdowns.
- Renovation & retail demand has taken off.

What this Means for You:

- Approximate Price Increases since April 2020:
 - Dimensional Lumber is up an average of 97%
 - Studs are up an average of 88%
 - Plywood is up 61%
 - OSB is up an average of 85%
 - Engineered Floors - No change yet, but coming
 - Rigid Foam Insulation - No change yet, but coming
- We have attached our Inflation/Deflation Index:
 - 2 Sample Homes (Bungalow and 2 Storey).
 - Show different construction techniques (ex: All OSB vs. OSB/Plywood)
 - It does not include roof trusses.
 - This is historical “approximate” stick framing pricing & current market pricing.
 - In approximate \$ for these 2 sample homes.
 - In approximate \$ per square foot.
 - Our sales team would be pleased to review this with you.

When Will the Pricing Adjust?

Although we are at or nearing product pricing highs, we see the price appreciation continuing into the Fall or perhaps longer. It all depends on U.S. demand and domestic supply. Right now, our focus is on trying to secure supply to better service you.

We will continue to provide updates.

Allocation of Inventory = Strict Allocation for Ongoing Projects

We have been hit with inflation, but it is not certain we will have the supply in all products. While we are hoping to avoid the issue that we have experienced with pressure treated, it will depend on whether we receive a supply. This is the big question.

Items that typically take 1-2 weeks to get (or sooner) are being quoted with 2-month delivery.

Effective immediately, we need to request that you limit your requirements to houses that are “on the go”.

We won't be able to allow "bulking up", or it might result in ongoing projects that cannot be completed.

If we are going to make it through this challenge together, we can't have garages or empty lots sitting with commodity material.

This is not fair to other customers and not "On the Level".

Allocation of Inventory – New Customers:

We are not taking on any "new to Turkstra" builder business at this time.

We are honouring/working with private homeowners that began the process before the COVID surge.

We have put mechanisms in place at the branches to ensure that any supply in our yards is not "strategically sourced" – a nice word for being taken advantage of.

We are going to do our best to take care of our existing customers.

Next Steps:

- Review your projects with your Sales Representatives & Estimators.
- Consider a backup plan for alternative products.
- Be "honest" about the timing.
- Our team will be pleased to estimate the increases based on your actual models & timeframe.

Summary - Our Commitment:

Please expect that lead times will be extended and subject to change with little or no notice.

The potential for stock-outs in certain product lines will remain, and our team will continue to suggest alternative products that are more readily available to fulfill your project needs.

The more notice you can give our team to prepare will help with our ability to service your needs in this challenging market.

Rest assured we are doing everything in our control to keep inventory in our yards.

If you have any questions, please contact your Turkstra Lumber Sales Representative or feel free to call Dave Ovcjak directly at 905-546-7911. Jon and I are also available.

We are keenly aware that hyperinflation is distressing. However, stock-outs and lack of inventory affect projects and are the most significant issues we see facing our industry. Avoiding this situation is our top focus!

Best Regards,

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