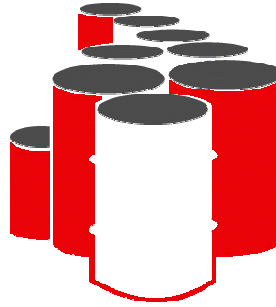


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MARKET ADVISORY

Operational and market developments in the steelmaking industry, international opportunities prompted by the falling U.S. dollar, and rising scrap steel costs have created a “perfect storm” that currently are contributing to a chaotic pricing environment for steel, including cold-rolled steel, for delivery in March 2008 and beyond. Some industry observers speculate that the combination of these factors may lead to a steel shortage and a possible return of allocation practices by steel suppliers not seen in several years.

In recent days, blast furnaces operated by Severstall North America in Dearborn, MI and ArcelorMittal USA in Cleveland have been taken off line. In the latter instance, the blast furnace was taken down for emergency repairs while in the former a major relining of the furnace is underway. According to *American Metal Markets* and *Purchasing* magazine, the abrupt tightness in the market caused by the reduced steel output from these two plants, coupled with an ongoing shortage of foreign-made product has resulted in spikes of as much as \$80 per ton for steel set for March delivery, not including size/processing extras and freight charges that purchasers face. This is on top of increases posted by producers in January and February.

Separately, Goldman Sachs in a January 11 report to investors noted that “Following New Year’s Day, steel markets lit up with much more aggressive bidding for steel by service centers, price increase announcements by mills, soaring scrap prices, and even higher prices on the Black Sea. We see greater intensity in the short squeeze gripping the U.S. steel markets***” A week later, Goldman noted, “U.S. steel prices are set to rise significantly in 2008, in our view, on a short squeeze that should more than offset recessionary trends.”

These reports note that significantly contributing to the unexpected boost in the cost of steel at a time of relatively weak demand are rapidly rising raw materials costs, principally scrap steel, as well as increased export opportunities brought about by the weakness of the dollar against foreign currencies, especially the Euro.

All of these factors conspire to keep steel prices higher than today’s underlying economy normally would dictate. For the foreseeable future, the market for cold-rolled steel will remain in flux with substantial upward pressure on raw material costs that will be a challenge for industrial packaging manufacturers and their customers.

“The industrial packaging manufacturer members of the Steel Shipping Container Institute will work with customers to deliver the safest, most cost effective package they are capable of producing in these challenging circumstances,” noted SSCI Executive Director John A. McQuaid. “However, absorbing unexpected cost increases of the magnitude forecast will be difficult, if not impossible, for the most efficiently run operation.”

