



Dauber Company, Inc.

577 North 18 Mile Road
Tonica, IL 61370
Phone: 800-682-8478
Fax: 815-442-3669

Volume 2, Issue 7

April 2008

Welcome to DCI's *POWERMELT*. We hope this quarterly newsletter will provide helpful information about silicon carbide, its applications, and our company.

Inside this issue:

SiC Pricing Still On the Rise	1
Know Your Supplier	1

In the next Issue of *POWERMELT* watch for additional information regarding DCI's Injection Program as well as an announcement concerning a DCI network of warehousing that will help reduce your SiC costs.

POWERMELT

SiC Pricing Still on the Rise

While recently kibitzing with several SiC colleagues, the conversation was dominated by opinions regarding the future price of SiC. Although we cannot predict the future market price for SiC, or any other product for that matter, for the benefit of our readers we intend to provide a benchmark for planning purposes. In addition, we have provided a list of criteria that supports our price assumptions.

A conjecture we colleagues share is that SiC selling prices will not return to the cyclical patterns that SiC has experienced in the past. We expect that prices for the next 3-5 years will conservatively average at or above the current market prices.

Fundamental changes have



occurred and will continue to occur that will prevent selling prices from retreating from historical high levels. The following reasons provide the basis for our collective belief regarding future SiC price hikes. Every SiC producer in the world is affected by the following list of factors. In other words, no one is exempt from this upward price

pressure and virtually every producer will be forced to continue to increase prices despite location or size of operation.

- The US Dollar will continue to steadily decline against the Chinese Yuan. The Yuan is expected to appreciate by 10-15% during calendar year 2008.

Continued on Next Page

Know Your Supplier

An astute buyer at a foundry once quipped, "The boss will forgive me for occasionally paying too much, however, he or she will never forgive me for letting us run out". This statement holds true for scrap, pig iron, carbon, etc., just as it does for SiC.

Maybe the title of this feature should go one step further and read, *Know Your Supplier's Inventory!*

When raw materials suffer rapid increases in price, many producers, processors, and distributors simply cannot afford to carry

Continued on Next Page



- SiC briquettes for cupola melting
- SiC grain for electric melting
- SiC experts for customer support
- ISO 9001 : 2000 Registered
- Central U.S. location provides 1-2 day truck deliveries
- Rail service available

Dauber Company, Inc.

577 North 18 Mile Road
Tonica, IL 61370
Phone: 800-682-8478
Fax: 815-442-3669



For assistance, please contact:

John Redshaw
redshawjl@aol.com

Skip Fristoe
sfristoe@daubercompany.com

John Basich
basich@cogeco.ca

Ernie Tesch
tesche@charter.net

Mike Baker
mbaker@daubercompany.com

Maynard Gardiner
mgardiner@new.rr.com

SiC Pricing Still on the Rise

Continued from First Page

- Continued growth in China has and will continue to influence the Chinese government's decision to discourage the export of low value-added, energy intensive products.
- Less Chinese SiC has been allocated for export during 2008 compared to 2007 and 2006.
- The cost of Chinese export licenses continues to increase.
- Global pricing on carbon inputs for SiC production have been increasing by large amounts. In fact, many expect an ongoing global shortage of carbon.
- Worldwide energy costs continue to increase and it takes 7,000 kWh to produce one ton of SiC.
- Global freight costs continue to increase.
- Increased domestic demand for SiC in China and Latin American countries: up 35% during 2007.
- Pricing for FeSi has reached \$1.05 per pound of contained Si. For 90% SiC to reach the same cost per Si unit it would have to sell for \$1,323.00 per ton.
- SiC consumers in other countries are still willing to pay higher prices for the same material, i.e., EU-15 and Asia.

The North American foundry industry remains soft, keeping demand for SiC flat, or there would certainly be a shortage of SiC. If the same sense of urgency was facing the iron casting in-

dustry in 2008 as in 2004 or 2005, pricing in the US would be 20-25% higher for the same SiC units.

The next item of debate is how the aforementioned bullet points affect SiC pricing for the balance of 2008. Simply put, you can expect to pay 15% more for your SiC in December than you are paying in April. The anticipated exchange rate differences alone will force prices to over the \$900 ton level for 90% grain.

The same colleagues that share these thoughts on pricing also agree that no consumer of SiC will be exempt from the dynamics. As a result everyone will be on an even playing field relative to the cost of SiC.

Know Your Supplier

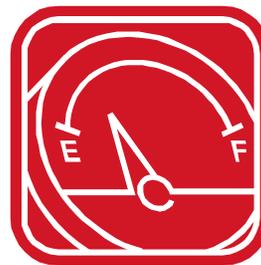
Continued from First Page

their normal stockpile of raw material let alone extra inventory. Staying ahead of the pricing curve is nearly impossible and those of us in the SiC business do not have a surcharge to pass along to customers. As a result, SiC suppliers that are already heavily leveraged or carrying large inventories of other products find themselves unable to cope with the financing necessary to buy large parcels of SiC.

The situation is exacerbated by the fact that payment terms have been compressed to the point where, on many occasions, your SiC supplier is paying cash in advance for SiC that will not arrive in North America for another 90 days.

As mentioned in **POWERMELT** #6, be certain your

SiC supplier is carrying sufficient inventory. Be safe, take a road trip to your supplier's facilities and ask to inspect raw materials, work in process, and finished goods. In Dauber Company's (DCI) case, during



the global SiC shortage of 2004 and 2005, DCI continued to grow its SiC business at the expense of virtually every other SiC supplier due to an extraordinarily large inventory buffer. Carrying large inventory of metallurgical SiC products continues to be a value-added strategy at DCI.

Since the US is a net importer of six times domestic SiC production, it is imperative that you **Know Your Supplier's Inventory**. If you take this for granted, you can be assured of supply problems as soon as the cast iron industry begins to perk up. This is a trend we have seen on four previous occasions since 1980 and that was before the recent changes in SiC industry structure. In addition, the recent price run-up creates an even more tenuous situation for SiC consumers.

If you have any questions regarding global supply and demand, forthcoming pricing, or would like to arrange a tour of the DCI Tonica, IL facilities to inspect inventory, please contact a member of the DCI sales team. Contact information is listed on the left.