

## 2007-2008 Winter Automotive Products

Increasing raw material shortages are leading to increased acquisition costs for all automotive products. Shortages of ethylene glycol and methanol are increasing prices on antifreezes and solvent products this winter.

The reasons vary for each category but they are all related to global issues. The categories affected are automotive additives, antifreeze, methanol based products (winter products) and motor oils. The continuing high oil prices have also increased transportation costs.

**Antifreeze Products-** The production plant issues in Saudi Arabia will not be solved anytime soon. These plants produced the ethylene glycol, which is the key ingredient in antifreeze. Increased global demand in developing Asian countries is also a factor. Cost could rise even higher, depending on the weather.

**Methanol (Solvents)-** Production issues in South America are to blame. Refining has halted in many plants that once produce methanol. This has snowballed and created a larger problem than anticipated. Methanol is in all winter products, including de-icers, gas line antifreezes and windshield washes. The acquisition cost on the methanol has increase by nearly 40% in the last two months. Prices could rise even higher, depending on the weather.

**Freight Costs-**The continued high cost of fuel has also increased freight rates. The new ultra low sulphur diesel fuel is costing more to produce. Freight companies are adding extra fuel charges to their freight bills.

Considering all of the factors that are pushing costs higher, we've done all we can to keep our pricing stable. Our prices will always be more than fair and very competitive. By working together intelligently, we can keep our overall prices as low as possible. I know that our program can not be beat. Price image is always very important to our program.

Please let me know if you have any questions. Also, any ideas for cost savings are more than appreciated.

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Regional Sales Manager