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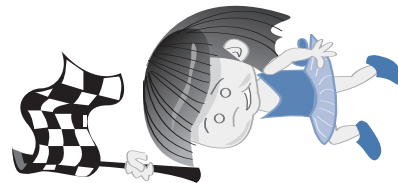
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THE KATRINA AFFECT ON STEEL

By Jim Stavis

By now, the story of Hurricane Katrina and its unfortunate aftermath have been widely documented and detailed. When all is said and done, this will be the worst natural disaster to strike in our nation's history. The story that will long be remembered will be the manner in which the government handled the crisis above and beyond the actual hurricane itself. President Bush has been the unlucky recipient of both 9-11 and now Katrina. The question here is what, if any, affect will Katrina have on the steel industry.

The biggest question is how quickly the Port of New Orleans will recover from the Hurricane's devastation. Steel related products are the major commodities handled

(Continued Inside)

The Katrina Affect

(Continued from Front)

by New Orleans. Last year imports of pig iron was 4.95 million tonnes, iron ore 3.9 million tonnes, coke 2.9 million tonnes and steel 3.33 million tonnes. An extended closure of the Mississippi could have severe consequences for manufacturing in the Gulf States, as well as create price increases for basic items.

As to the affect here on the west coast, it remains to be seen. Since the Gulf is a significant port of entry for imports, it may limit the amount of foreign steel that we see coming into the country. This will have an upward affect on steel pricing in general. In the short-term it may bring more steel products into the West Coast markets since the Gulf ports will be closed off. This would pertain to any shipments that were on the water when the disaster occurred.

The shortage of raw materials will certainly affect the steel producers on the east coast and southwest, as well as the base of manufacturers. Typically disasters such as these have a stimulating

affect on the economy due to rebuilding efforts supported by government aid and insurance. For many reasons, that may not be the case in New Orleans and Mississippi. Because of the socio-economics of the areas hit, the rebuilding may take a considerably greater period to accomplish. And though there will be a significant need for steel and building products to rebuild the infrastructure, it will be a lengthy process, one that may take years to accomplish. Many of those that were washed out in the hurricane will never return to New Orleans which will have a negative impact on the recovery.

I have been to New Orleans on just two occasions. It truly was one of the most unique cities not only in our country, but in the world. It is sad to think that a great American city died in one devastating day. And yet they always knew that this day might come. The way the city was engineered with its complex water levy system and being below sea level, the danger for disaster always existed. But is it any different from the earthquake

potential for disaster that we Californians have learned to live with? Only time will tell.

I can be e-mailed at jstavis@paragonsteel.com.



It's a Jungle out there

Every morning in Africa, a gazelle wakes up.

It knows it must run faster than the fastest lion, or it will be killed.

Every morning a lion wakes up.

It knows it must outrun the slowest gazelle, or it will starve to death.

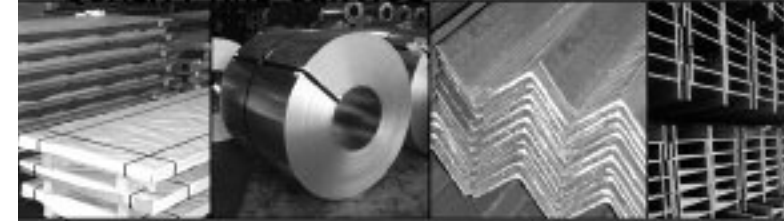
It doesn't matter whether you are a lion or a gazelle.

When the sun comes up, you better start running.

*From The World is Flat
by Thomas Friedman*

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