Wallboard manufacturers have had a tough time lately concerning the quality and availability of their board. So we did a spot survey of 28 contractors from around the country to see how things stood and found that quality was not so much an issue—but there are rumblings of discontent on the subject of price manipulation.

The chart on page 47 shows, the vast majority (79 percent) have no problem with their board.

Some noted improvements: “I’ve seen better, but I’ve sure seen a heck of a lot worse, too,” notes a contractor from Colorado. “They are controlling the baking process a little better since they retooled: the uniformity of the board has improved so the tapered edges aren’t so brittle or crumbling out like they used to.”

It’s the 21 percent who are still having some trouble that are of some concern.

A contractor from Illinois stated that “The drywall is better than last year during the severe shortage, but it’s not as good as it was a couple of years before the shortage began. Right now, between 10 percent and 15 percent of the board either has irregular edges, doesn’t snap cleanly, or is out-of-square.

“About three months ago,” adds a Floridian, “We had some rough board come through; I think they’re using cheaper paper on the base that’s fuzzing really bad. We also have voids in the drywall that you don’t catch until the board is already up.” Three other contractors from Michigan, Indiana and Maryland echoed the complaints about delamination of the paper from the core in a small percentage of cases.

A contractor from Idaho complained of “problems with the flatness, with bulges and imperfections in the thickness of the board that aren’t spotted generally until the board is already up and being taped.” The contractor is then forced to pay for “quite a bit of additional taping labor to get the board to look as it should. Occasionally, the drywall manufacturer will eyeball the problem and give credit for the materials, but with 5 to 10 percent of the board being defective, it has quite an impact on the bottom line.”

This theme was echoed by an Indiana contractor who said, “There’s pretty close to zero profit margin in drywall to begin with, when you factor in the workmen’s comp rates being one of the high-
Are Rising Wallboard Prices Getting You Down?

By Steven Ferry
est and the fact that everybody wants to provide wallboard for nothing. So any little thing, regardless of what it is, affects the bottom line. When 20 percent of the board arrives defective, it pretty much takes the profit out of a job.”

**Pushed to the Wallboard**

When asked if they were having trouble getting wallboard, again, the vast majority (82 percent) said either “no” or “not any more.” States a Michigan man, “I’ve never experienced any problems whatsoever. I know there might be some problem, but we’ve always paid our bills real well, so our suppliers always give us all the drywall we need.”

Two contractors said they were experiencing some difficulty, and three complained of considerable difficulty. A Louisianan did experience a temporary difficulty when Georgia Pacific, which was handling about 20 percent of the volume in the state, pulled out. USG and National Gypsum had them on allocation while they geared up to fill that void, but as construction slowed and board supply increased, the problem was resolved.

If Louisiana’s problems are over, Iowa seems to be in the thick of theirs. “On volume of 4.5 million square foot, we’re getting about 60 percent of our needs and have people waiting,” complains a contractor from that state. Another reports that “they’ve taken out some plants and the big boys have bought out a couple of the other places we could have tapped. One company guaranteed us one truck a day during the last allocation games they played two years ago, and now we’re lucky to get one a week! The regional manager is going to be in my office in about two hours and we’re going to go to lunch and talk about this!”

In Colorado, there seems to be more of the same: “Everybody seems to be getting down to the allocation process again. Originally it was because of the energy price hikes, and so prices started to rise. Now they’re shutting down lines and plants and it’s been on a downward spiral here for a good three months now, with supplies dropping and prices rising.”

**Nailed to the Wall?**

Looking more closely into the prospect of allocation raising its head in the near term, 15 contractors thought it would not, four said it might be coming again, another four said it definitely would be, and three others said it already has, as detailed above.

But 11 contractors, or 39 percent of those surveyed, had the same beef: While some felt the cooling economy should or would alleviate any supply problems, they all felt that manufacturers would reduce supply to fix prices.

“Seeing what’s out in front, with the economy softening up, the board ought to be there unless manufacturers decide they want to slow down production,” was the way an Arizonan put it. Another contractor from the same state said almost the same thing. “The market is slowing down enough that I don’t think allocations will be a problem, but I am sure that there will be some inflated use of it in order to raise pricing.”
Another from Florida agreed: “Until they get the price where they want it, they’re going to allocate it. Once they raise the prices high enough, there’ll be plenty of board.” A Maryland contractor agreed, saying, “They’re going to drive the market because they’re not getting their price, so I’m pretty sure there will be allocation problems ahead.”

In Illinois, the opinion of one man was that “they’re just closing down plants so they can bring the prices back up—I’ve seen it happen many times before.” Another felt that “there is a potential for allocations, but, obviously, it is manufactured by the manufacturing industry closing down plants to raise prices. This summer, for instance, Georgia Pacific announced plant closures and production curtailments representing 45 percent of its gypsum wallboard capacity.”

“Manufacturers are calling the shots—they’re the ones trimming back production,” complains another Illinois man. “The shortage we had last year was real and based upon high demand; the shortage we have now is being manufactured by the manufacturers to raise prices.”

In Indiana, a contractor saw no problem with supply because “the workload has slowed down so much that the problem of supply is probably going to take care of itself, even though some of the plants have shut down lines or shifts, trying to create a shortage so they can raise the prices.” Other contractors from Indiana, Michigan and Idaho echoed his views of a slowing market resulting in no supply problems.

“How is the quality of your wallboard these days?”

<table>
<thead>
<tr>
<th>Quality Description</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very good</td>
<td>4</td>
</tr>
<tr>
<td>Good/pretty good</td>
<td>14</td>
</tr>
<tr>
<td>Better than before</td>
<td>4</td>
</tr>
<tr>
<td>Up and down</td>
<td>2</td>
</tr>
<tr>
<td>Some of it is very poor</td>
<td>4</td>
</tr>
</tbody>
</table>

If 11 contractors stated their opinions that manufacturers would reduce production to raise prices, 21 of them (75 percent) reported that prices were already rising. It should be noted that the 13-cents-a-foot wallboard had typically fallen to is a very low figure, a lot lower than the 35 cents or higher that it hit a while back. As one contractor from Illinois exclaimed, “It amazes me how we can go from paying 13 cents to 35 cents or more in three years. This industry has been crazy on pricing.”

“Two years ago,” explains the Iowan, “What’s happening in the stock markets is going to have some effect, too,” according to an Iowan. “I see residential slowing down, but there will be some
“prices doubled from 9 to 20 cents a foot as demand increased and the industry found itself with no new plants built over the prior five years. Four months ago, however, as they closed plants, prices began to rise from 11 cents to 17 cents—that’s about a 65 percent increase in four months.”

Similar stories around the country told of price hikes of between 5 percent and 65 percent over the last one to six months—the most extreme being 62 percent in two months in Maryland—“It’s getting nuts again,” was that contractor’s comment. Or as one contractor from Colorado put it, “Geesh, I’ve seen an increase of 25 percent, easy. It’s ridiculous—you can quote me on that!”

Contractors are predicting prices will level between 19 and 22 cents a foot.

An Illinois contractor brings up another point that is worth mentioning on these price hikes: “The prices have risen 35 percent over the last two quarters. It does present some hardship, but I have a large warehouse with 5,000 boards on hand. For smaller contractors without such a reservoir, they’re being hurt when they quote a certain price on a job and then the price rises.”

No Need to Climb the Walls

Always a consideration in any market, we asked contractors if they felt they were getting their money; worth with the wallboard they were receiving. Twelve said “Yes” without reservation, five said it was “OK” (with some reservation) and nine said a definite “No,” giving a 61 percent
satisfaction rating and 39 percent dissatisfaction rating—not very good figures for long-term loyalty

“We are absolutely not getting our money’s worth,” exclaims a Coloradoan. “Prices dropped to a point where it looked like things were going to be real livable and workable. Then the energy crises hit, and now, of course, after Sept. 11, who knows what’s going to happen?” A Kansas man agrees: “No way are we getting our money’s worth. They’re rigging the prices by a factor of 50 percent.”

“There is resentment over the price increases,” summarizes an Illinois contractor. “As for getting my money’s worth, I would say, ‘No.’ We’re being held hostage by manufacturers This is not a market demand problem; this is a problem of manufacturers trying to drive the price up themselves. I would have thought that would warrant the government at least keeping an eyeball on the situation.”

Taking a more long-term look, an Arizonan points out that “through the years, the gypsum manufacturers have tried their best to squeeze more money out of their product, but it always seems to be that the price comes back down. So yeah, I’d say we’re probably getting our money’s worth.”

**The Writing’s on the Wallboard for Manufacturers**

According to a contractor in Iowa, the wallboard market has undergone dramatic changes over the last five years as synthetic takes over more and more of the
market from gypsum—an environmental, technological and economic success story in reality, as coal power station residue is converted to walls. The product is very good, being lightweight and breaking very cleanly and crisply.

The Iowa contractor says the fly in the ointment, however, is that “there are only four or five manufacturers left that control the market. We are close to a monopoly situation. These controlling companies have cut their volume right now by 40 percent and have raised their prices again. In reality, the demand is there, and they didn’t need to cut the volume to raise their prices. It is an absurdity that they would operate that way, when we are then not able to procure wallboard when we need it.

“Manufacturers should spend less time worrying about their shareholders and more time focusing on providing their customers with what they need and want.”

**Pass the Buck, Jack!**

Two contractors had a relaxed and possibly smarter point of view: “I’m a contractor, right! Manufacturers are artificially inflating the price and it’s really not worth what they’re getting for it right now. But these are market conditions and the conditions of these companies, too.”

And if that isn’t plain enough, a contractor from Maryland spells it out: “I’m not the end consumer. I just pass on the costs. What are you going to do about it? I can’t refuse to buy. Of course, it is skin off my nose when the price jumps and I haven’t figured that into my bids. Then we do get caught short, and it’s money out of our pockets.”

No one expects gypsum manufacturers to operate at a loss, and they are, of course, hit by bombshells like the price gouging by energy providers that raised drying costs at wallboard plants. Manufacturers should also be complimented on their closing of inefficient plants in favor of new plants.

The real problem arises when shifts are resorted to, in order to raise prices, which include creating scarcities where there are none. The lesson to learn is that you need to keep your customers happy, and that means enough warning about upcoming and justified price increases, and always having enough wallboard on hand to fill demand, and finally, providing a product that is quality checked and close to 100 percent perfect before it leaves the plant premises.

**About the Author**

Steven Ferry is a free-lance writer for the construction industry. He is based in Clearwater, Fla.