

Dear Valued Customer:

As you most certainly know, the HDPE and PP resin producers continue to increase their prices every month, and there is still no end in sight. For context, ADS has taken 10 resin increases from these producers over the last 12 months, with our most recent increase hitting in June. Unfortunately, our forecasts show we should expect additional resin increases in July and August as well.

To help you understand these market dynamics, let's look at three areas:

- 1) In addition to the challenging resin cost environment, the resin inventory has been a challenge as well — which helps the resin producers pass on increases.
- 2) The producers are still struggling with operational deficits (equipment issues, feedstock shortages etc.), which adds to the inflationary pressures we are seeing. When resin producers have extremely low finished goods inventories like we are seeing today, the resin prices will remain uncharacteristically high.
- 3) Lastly, the post-COVID labor situation is extremely difficult, which is driving up the cost to operate business as usual and ship product. Again, the inflationary pressures associated with labor, freight, fuel, and supplies continues to be immense.

As a result, and probably not a shock, ADS must increase the price of all pipe sizes by a minimum of 10% effective July 26, 2021. We truly hope to see this upward trend end soon.

Sincerely,

A handwritten signature in black ink that reads 'Darla Huff'.

Darla Huff

Agriculture Market Manager

Our reason is water.TM