



## Steel Market News

The moratorium on new drilling leases in the Gulf of Mexico was lifted by the U S Government on Tuesday, October 12, almost two months ahead of schedule. According to a press release from the Secretary of Commerce, the adoption of new industry-wide standards for offshore safety inspections and equipment was the main factor for the government to re-open the Gulf. The moratorium has hurt sales of energy pipe and tube, especially for higher grade seamless products, including those made from alloy and stainless steels.

The Marcellus Shale formation in the northeastern US could be tapped economically has been a game changer for the pipe and tube industry according to Dan Hilliard, NATubulars Editor in the Tubulars Market Report. He reported on the following: "Major producers like US Steel, V&M Star and TMK IPSCO have benefitted from the drilling. A debate in the Pennsylvania Senate over a proposed severance tax that would charge producers \$ .39 per thousand cubic feet may be a game changer. According to the Pennsylvania Senate, if you are drilling under our feet and stirring up environmentalists the drillers will have to pay. One driller has noted that they may respond by moving down to the Texas Haynesville Shale, where the folks are a little more friendly and have based their tax on a percentage of the gas market value rather than a flat rate. He further states that it would be a shame if the Marcellus boom withered before anyone, least of all steel tubular producers, could benefit."

U. S. steel mills shipped 7,224,190 net tons for the month of August 2010, at 11.5% increase from the previous month's shipments and a 29.7% increase from the 5,570,368 net tons shipped in August 2009 according to the latest report from the American Iron and Steel Institute. Oil country tubular goods have been improving with drilling activity up; however, the large-diameter line pipe segment is not expected to see significant growth for at least another year. Oil and gas exploration is on the upswing, but future energy demand is clouded by economic and environmental concerns as noted by Myra Pinkham, Contributing Editor of Metal Center News in the September 2010 bulletin.

ThyssenKrupp's new stainless steel mill near Mobile, Alabama has gone into operation. Production has begun with one cold rolling mill. cold-rolled capacity is initially 100,000 metric tons per year and will increase over time to a maximum 140,000 tons per year. The ThyssenKrupp mill is capable of producing stainless coil up to 64" wide from white bands supplied by its European operations. This is the first of three scheduled cold rolling mills. The next one, a 74" wide mill, will be the only one of its kind in North America and is scheduled to begin production in the fourth quarter of 2011. The remaining 54" wide cold rolling mill as well as the melt shop should follow between 2012 and 2014. The parent of Atlas Tube and Wheatland tube has changed its name and organizational structure as a precursor to growth. John Maneely co of Harrow, Ontario has renamed itself JMC Steel Group, though Atlas and Wheatland products will retain their market names, according to a company source.

The United States International Trade Commission has determined that a U.S. Industry is threatened with material injury by reason of imports of seamless carbon and alloy steel standard, line, and pressure pipe from

*(Continued on page 4)*

## STAINLESS STEEL PIPE

**Pricing** ↗ Stainless Steel pricing is forecast for increases of 3% - 5% during the 4th quarter due to raw material costs. Surcharges are up in October and November after downward trends during the 3rd quarter.

**Lead Times** - Delivery lead times are running 8 - 12 weeks, with fill rates of 50% - 60%. Non-standard material delivery is running 6 - 12 weeks.

**Comments** - Most stainless mills experienced a better third quarter than expected, but they are very guarded in their optimism for the fourth quarter. One

manufacturer reports that Asia and Europe are starting to get busier, but their lead times have not reflected the trend to date. Nickel continues to rise in lock-step with the Dow... most commodities have gone along for the ride. Another comment by one manufacturer is concern over our lack of a defined energy policy. They say that many of the larger customers are holding back on releasing projects, and hanging onto their cash until more direction can be provided by the administration. Surcharges will be on the rise until the end of the year. November and December will be higher than October.

Pipe Surcharges for Stainless based on the published flat rolled surcharges plus a yield adjustment. Information provided by Outokumpu

SS Sur-charges per LB	Jan 2010	Feb 2010	Mar 2010	Apr 2010	May 2010	Jun 2010	July 2010	Aug 2010	Sep 2010	Oct 2010	Nov 2010
304/L	.88	.91	1.05	1.14	1.38	1.59	1.35	1.20	1.17	1.27	1.36
316/L	1.28	1.32	1.56	1.71	2.02	2.29	1.97	1.72	1.68	1.85	1.95

Please see chart on page 4 reviewing stainless steel pipe components used to formulate surcharges.

## STAINLESS STEEL WELD FITTINGS, 150 & HI-PRESSURE FITTINGS

**Pricing** - → (Weld Fitting 150#) (SS Pressure Fittings) Manufacturers forecast no change in pricing for stainless steel fittings thru the fourth quarter.

**Lead Times** - Fill rates remain at 80% - 90% or better with lead times of 3 - 4 weeks. Specials are taking a little longer with shipment in 4 - 6 weeks

**Comments** - Manufacturers have noticed a recent spike in demand especially in September. Safety stocks at the manufacturer levels are lower according to one manufacturer. Foreign competition continues to increase from China and Taiwan. Manufacturers of domestic fittings are really dependent on specials. Manufacturers do not see significant improvement until perhaps the 2nd quarter of 2011. End users still do not know the rules on healthcare and taxes. They will be watching the November elections to see what spending cuts are made after the 1st of the new year.

Alan Lipp of Merit Brass reports on commodity material as follows: LME Nickel inventories moved off of their historical highs in February, but they remain at more than 5 weeks of global consumption. Demand for copper is outpacing supply as evidenced by the first half's 281,000 MT deficit for refined copper. Copper

inventories were at 6-year highs in February, but they have since dropped by nearly 33%. Copper's demand is comparatively much larger and broader based compared to nickel, and not as susceptible to speculative influences.

Due to China's inability to generate adequate supplies of 18-8 (304) scrap, China continues to increase production volumes of pig iron. China's supply and quality of refined nickel pig iron will go a long way towards establishing a ceiling and a floor to international nickel prices. Beijing's pace and scale of clampdowns against energy intensive and polluting industries should be a key factor in nickel's mid-term price path.

Nickel appears to be benefitting from copper's strength in the eyes of commodity traders and prices have risen for little or no rational reason. As speculative positions increase, so does the risk of yet another radical price correction. Over the past two years, major mills have experienced numerous quarterly swings from profit to loss due primarily to nickel's extreme volatility. Stainless steel surcharges are crucial to demand sentiment. Major stainless inputs - Chromium and Molybdenum - are on the rise and helping to drive surcharges higher. While stainless is primarily made of Chromium, nickel contributes upwards of 60% of the cost.

## STAINLESS STEEL FLANGES

**Pricing** - → No change in the pricing of stainless steel flanges is forecast for 4th quarter 2010.

**Lead Times** - Fill rates remain at 30% - 40% with delivery lead times of 2 - 3 weeks for stainless and 4 - 6 weeks for nickel alloys.

**Comments** - The Dow Jones reports three month nickel ended the day on Friday, October 8th at \$11.906 / lb. Raw material costs are reflective of this increase coupled with a weaker dollar. The market will not accept this pass-on in stainless flange pricing. Projects are few with tight end user money. There is inconsistent activity with a dull outlook for 2011. Projects are shifting to China, India, Middle East, Australia, and the Pacific Rim. The domestic poor economy means very little spending.

## CARBON STEEL PIPE - SEAMLESS, ERW AND CONTINUOUS WELD

**Pricing** - → Manufacturers are forecasting prices to remain level the 4th quarter.

**Lead Times** - Fill rates are running at 40% - 50% with lead times of 6 - 8 weeks.

**Comments** - U. S. Steel along with other members of the steel industry are voicing their concerns regarding the near-term outlook for their industry. They

expect third quarter operating results to fall short of the preceding quarter. The shortfall seems to be the result of decreased shipping and production volumes from its flat-rolled business segment. U.S. CEO John Surma commented on Big Steel's hoped-for recover: "It's going to be a choppy recovery that is going to take some time. It's not clear what is happening, but we expect to do reasonably well with those groups for the third quarter because demand appears to be stable."

## CARBON STEEL WELD FITTINGS AND FLANGES

**Pricing** - → Manufacturers are expecting prices to remain unchanged for carbon steel fittings thru the 4th Quarter 2010. Manufacturers indicate demand has not changed and raw material costs are stable. Flange manufacturers indicate an increase of 3% - 5% during the fourth quarter because of currency and freight issues.

**Lead Times** - Deliveries are forecast for 3- 4 weeks with fill rates of 85% - 95% or more for fittings. Flange manufacturers indicate deliveries in 8-12 weeks, with fill rates of 80% - 90%.

**Comments** - Demand is the critical element affecting the PVF market. The private sector investment is on hold due to the uncertainty created by the governments positions on taxation, "Cap & Trade", regulation and "Card Check" issues. The biggest change in the industry is the increased attention to the power industry and the development of the Shale Gas opportunities. One manufacturer indicates that prices overseas are increasing, but master distributors are keeping prices down in the USA with the competition being the major factor.

## FORGED STEEL FITTINGS

**Price** - ↗ Prices are forecast to increase 5% - 7% for forged steel fitting during the last quarter of 2010 due to raw material costs.

for commodity material not in stock running 4 - 6 weeks.

**Comments** - Import pressures from China are still very aggressive in the forged steel fitting market.

**Lead Times** - Material shipment fill rates are 90% or better with lead times

## STAINLESS STEEL GATES, GLOBES, CHECK VALVES

**Price** → Stainless valve manufacturers indicate no change is pricing for gate, globe and check valves thru the fourth quarter due to raw material costs, demand and competition. .

commodity valves not in stock are forecast for 8 - 10 weeks. Non-stock specials are running 16 - 20 week lead times.

**Comments** - Raw material costs increased slightly, but are now stabilizing.

**Lead Times** - Fill rates for commodity valves are 70% - 80%. Lead times for

## BRONZE AND IRON GATES, GLOBES AND CHECK VALVES

**Price** → Bronze and iron valves are forecast to remain stable thru the fourth quarter of 2010.

**Comments** - Overall demand for bronze and iron valves is up 20% over 2009. Pulp and paper business is stable. Chemical plant opportunities are increasing. Export business is strong. Mechanical construction remains at low levels; however, MRO activity is getting better.

**Lead Times** - Fill rates for Bronze and Iron valves are running 70% - 80%. Lead times for Bronze and Iron valves are forecast for 4 - 8 weeks.

## CAST STEEL GATES, GLOBE AND CHECK VALVES

**Price** → Manufacturers indicate pricing will remain stable thru the end of 2010.

weeks. Non-commodity valves are shipping in 16 - 20 weeks.

**Lead Times** - Fill rates are running 70% - 80% with forecast delivery in 4 - 8

**Comments** - There is still a lot of inventory of commodity product in the US stocks; however, the inventory levels are decreasing. Manufacturers are still expecting strong growth mid-2011 through 2015.

## FORGED STEEL GATES, GLOBES AND CHECK VALVES

**Price** → - Manufacturers forecast pricing to remain unchanged thru the fourth quarter of 2010.

fill rates of 60% - 70% for commodity valves. Specials are running 14 - 18 weeks.

**Lead Times** - Lead times remain at 6 - 8 weeks for forged steel valves with

**Comments** - Manufacturing plants around the world have scaled back capacity by 10% - 20% compared with 2009 production levels.

## QUARTER TURN VALVES - BALL AND WAFER

**Price** → No significant price changes are expected for quarter turn ball valves thru the end of 2010. The recent Nickel price increases are cause for concern.

Casting and raw material supply from primary vendors (China and Europe) has been slow to catch up with demand. There is some improvement over the first two quarters of 2010; however manufacturers do not expect to see normal levels until the second quarter of 2011. There is concern over foreign competition - when one fades away, two others enter the market. The quality of some of these foreign manufacturers is poor. The continuing behavior from end users is "I need it now." The biggest challenge in the valve industry is: maintaining high levels of service and quality, dealing with integrated supply preference by end users, price and margin protection, as well as maintaining quality staff.

**Lead Times** - Fill rates for quarter turn valves remain at 70% - 80% with lead times of 4 - 6. Non-commodity specials are running 8 - 12 weeks.

**Comments** - One manufacturer reports noticeable increase in mining activity, especially in Latin America. This involves mostly copper mining operations.

The U.S. Producers Price Index Industry Data from Industrial Valve Manufacturing is as follows:

Valve Mfg.	Sep 2009	Oct 2009	Nov 2009	Dec 2009	Jan 2010	Feb 2010	Mar 2010	April 2010	May 2010	Jun 2010	Jul 2010	Aug 2010
<b>Gate Globe</b>	<b>220.7</b>	<b>220.7</b>	<b>220.7</b>	<b>220.7</b>	<b>221.5</b>	<b>222.1</b>	<b>223.0</b>	<b>224.5</b>	<b>224.9</b>	<b>225.1</b>	<b>226.2</b>	<b>225.7</b>
<b>Ball</b>	<b>184.7</b>	<b>184.7</b>	<b>184.7</b>	<b>184.7</b>	<b>186.1</b>	<b>186.5</b>	<b>186.5</b>	<b>186.8</b>	<b>187.6</b>	<b>187.5</b>	<b>187.9</b>	<b>187.9</b>
<b>Butterfly</b>	<b>154.3</b>	<b>153.5</b>	<b>153.5</b>	<b>154.8</b>	<b>154.8</b>	<b>155.4</b>	<b>153.4</b>	<b>154.5</b>	<b>156.9</b>	<b>155.0</b>	<b>156.6</b>	<b>161.7</b>
<b>Industrial Valves</b>	<b>184.7</b>	<b>187.7</b>	<b>184.7</b>	<b>184.7</b>	<b>186.1</b>	<b>186.5</b>	<b>186.5</b>	<b>186.8</b>	<b>187.6</b>	<b>187.5</b>	<b>187.9</b>	<b>187.9</b>

PCU 332911 (All data provided by Bureau of Labor Statistics)

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(Continued from page 1)

China that the U.S. Department of Commerce has determined are subsidized and sold in the U.S. at less than fair value as announced in a press release on October 15, 2010. As a result, Commerce will issue antidumping and countervailing duty order on imports of these products from China. The U. S. Government announced in September they will impose anti-dumping duties ranging from 49% - 99%, and countervailing duties of 13% - 54% on Chinese seamless steel pipe imported to the States. The Commission's public report Certain Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from China (Investigation Nos. 701-TA-469 and 731-TA-1168 (Final), USITC Publication 4190, October 2010 will contain the views of the Commissioners and information developed during the investigation.

Outokumpu Stainless has announced that they have begun producing another in a series of Lean Duplex Stainless Grades. The newest grade being offered is LDX 2404 and according to the company this new grade features higher mechanical strength than other major duplex grades currently on the market. It can be used in storage tanks, road and rail tankers and building and construction as well as industrial processes.

The following chart explains the components of stainless steel pipe that make up the surcharges for the sample months of September, October and November of 2010:

Components	BASE	304L %	316L %	Nov 2010	Oct 2010	Sept 2010
Molybdenum	\$3.00	---	2.0 - 3.0%	\$15.5050	\$15.4440	\$14.0950
Nickel	\$2.00	8.0 - 13.0%	11.0 - 15.0%	\$10.2709	\$9.7129	\$8.8530
Chromium	\$0.35	18.0 - 20.0%	16.0 - 18.0%	\$1.2600	\$1.2100	\$1.2350
Iron	\$3.50	64.15% min.	61.15% min	\$0.1942	\$0.1875	\$0.1875
Titanium	\$3.50	N/A	N/A	\$3.3600	\$3.2900	\$3.2500
Manganese	\$600.00	2.0% max	2.0% max	\$1,351.50	\$1,336.88	\$1,337.50
Energy	\$6.00			\$3.6500	\$4.7700	\$4.7200
Copper	\$1.60	N/A	N/A	\$3.5000	\$3.3000	\$3.0600
304/L Surcharge/lb.				\$1.3600	\$1.2700	\$1.1700
316/L Surcharge/lb.				\$1.9500	\$1.8500	\$1.6800

Pricing in RED indicates an increase over the prior month. All information provided in this chart is from Outokumpu monthly surcharge notifications.



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