



# Market Condition & Activity Bulletin

PIPING & EQUIPMENT— A Member of AD & supplyFORCE.com

April • May • June 2000

## COUNTRY OF ORIGIN MARKINGS

In an effort to keep our customers up to date on current issues, we are printing some excerpts from the U. S. Customs Service, Department of the Treasury. The notice is as printed in the Federal Register on Country of Origin Marking requirements dated February 11, 2000:

*Summary: This notice advises the public that Customs does not intend to rely on the distinction between producers' goods and consumers' goods in making country of origin marking determinations. It is Customs' opinion that as demonstrated in a number of recent court decisions, the consumer-good-versus-producer-good distinction is not determinative that a substantial transformation, as it traditionally is defined, has occurred.*

*Effective Date: June 12, 2000.*

*Background: The marking statute, section 304, Tariff act of 1930, as amended (19 U.S.C. 1304), provides that, unless excepted, every article of foreign origin (or its container) imported into the U.S. shall be marked in a conspicuous place as legibly, indelibly and permanently as the nature of the article will permit, in such a manner as to indicate to the ultimate purchaser in the U.S. the English name of the country of origin of the article.*

*In Midwood, Industries Inc. versus United States, 313 F.Supp.951 (Cust.Ct.1970), appeal dismissed 57 CCPA 141 (1970), the U.S. Customs Court considered whether an importer of steel forgings was the ultimate purchaser for purposes of the marking statute, 19 U.S.C. 1304. The court cited the principles set forth in United States versus Gibson-Thomsen Co., Inc., 27 CCPA 267 (1940), in determining that the importer's manufacturing operations made it the ultimate purchaser, namely that the importer may be considered the ultimate purchaser for marking purposes if it subjects the article to further processing that results in the manufacture of a "new article with a new name, character and use." Midwood, 313 F. Supp. At 956. However, the Midwood court also found it relevant to that finding that the imported forgings at issue were transformed from producers' goods to consumers' goods, stating:*

*While it may be true \*\*\* that the imported forgings are made as close to the dimensions of ultimate finished form as is possible, they, nevertheless, remain forgings unless and until converted by some manufacturer into consumers' goods, i.e., flanges and fittings. And as producers' goods the forgings are a material of further manufacture, having, as such, a special value and appeal only for manufacturers of flanges and fittings. But, as consumers' goods and flanges and fittings produced from these forgings are end use products, having, as such, a special value and appeal for industrial users and for distributors of industrial products. Id. At 957.*

*It is Customs opinion that based on subsequent court decisions applying substantial transformation analysis, Midwood would be decided differently today. Accordingly, Customs proposed in a notice published in the Federal Register (63 FR 14751, March 26, 1998), to no longer rely on the distinction between producers' and consumers' goods.*

*Because the current country of origin marking requirement for pipe fittings and flanges is based on administrative treatment, rather than a specific ruling, Customs will require that all pipe fittings and flanges produced in the United States from imported forgings be marked with the country of origin of the imported forging. Customs will no longer rely on the distinction between producers' goods and consumers' goods in making country of origin determinations.*

This ruling will have an impact on a number of our customers and may cause some confusion as they become aware of "domestic" products that are stamped with the name of a foreign country. Today, there are a number of products considered to be domestic, but after June 12<sup>th</sup> they will be stamped with country of origin and will not be considered domestic. The manufacturer's name may be known as a domestic manufacturer, when in fact the product is produced from an import forging.

## STAINLESS STEEL PIPE

**Pricing** ↑ Manufacturers predict prices to continue to increase anywhere from 3% to 10% and more. The increase is expected to be industry wide and pushed by raw material costs, as well as supply and demand. One manufacturer reports that melt capacity for raw materials is becoming an issue, and the consumer goods market is fueling extraordinary demand for cold rolled stainless.

**Lead Times** – Lead times are expected to go out as far as 12 – 16 weeks. Some hedge buying to avoid higher prices and increasing surcharges is contributing to longer lead times. Fill rates are running 30% – 40% out of stock. One manufacturer reports that strong

demand in other stainless markets is making pipe feedstock harder to get. “Exotic” items used in the capital goods market are moving somewhat slower than basic stainless grades.

**Comments** – Nickel prices continue to rise steadily from \$3.75 per lb. In January to \$4.63 per lb. In March. Manufacturers expect this trend to continue for the foreseeable future, with the surcharge mechanism to remain in place, making firm pricing almost impossible. According to one manufacturer, raw material supplies are tight due to lack of stainless strip being imported.

## STAINLESS STEEL WELD FITTINGS

**Pricing** ↑ The prices for stainless weld fittings are expected to increase by 5% – 10%. All manufacturers predict industry wide increases due to labor and raw material costs. One manufacturer comments that the industry should look for future increases possibly in terms of surcharges or changes in multipliers. March brought increases as much as 20% – 25% and holding. A manufacturer notes that with the April flat roll and pipe increases, fitting prices could be increased again late 2<sup>nd</sup> quarter. Some manufacturers say that they will not be surprised if surcharges start to apply to fittings with raw materials prices increasing.

**Lead Times** – Fill rates remain at 80% – 90% with lead times reported to be 3 – 6 weeks. The manufacturers expect lead times to continue to go out, and they expect the market will feel the lead times slipping either late 2<sup>nd</sup> quarter or early 3<sup>rd</sup> quarter. Lead times

on pipe for butt weld fittings are going beyond the normal 3 – 4 weeks.

**Comments** – Inventory levels are quite good with the large amount of foreign product available; however, with demand increasing inventory levels may drop. Dumping suit in effect now against Germany, Italy, Malaysia, and the Philippines with duties ranging from 16% to 86%. The suit was filed by select domestic manufacturers of stainless butt weld fittings. Also, the International Trade Administration is reviewing an appeal from Ta Chen for punitive duties assessed on all material shipped to the U.S. from December '92 through May '94 by Ta Chen. This appeal process may take 6 – 9 months for a final ruling. Nickel prices continue to increase: 1/31/00 – \$3.95; 2/28/00 – \$4.43; and 3/28/00 – \$4.61.

## STAINLESS 150 AND HI-PRESSURE FITTINGS

**Pricing** ↑ Manufacturers predict pressure fittings to increase by 10% following last quarter's increase of 5% – 7½%. Raw material costs continue to go up.

**Lead Times** – Lead times are 2 – 3 weeks currently with fill rates of 80% – 90%. It is taking manufacturers longer to get forgings and castings.

**Comments** – Nickel prices continue to increase.

## STAINLESS STEEL FLANGES

**Pricing** ↑ Manufacturers are predicting price increases of 8% to 10% and more for stainless flanges due to the increasing cost of nickel. This follows last quarter's increase of 10% or more. The price of nickel and other raw materials continue to fuel the price increases.

**Lead Times** – Lead times are expected to stay in the 2 – 6 week range with fill rates of 40% to 50%.

**Comments** – The Customs Rulings made on 2/11/2000 as to marking country of origin of forging may cause and upheaval in

the market. Expect to see legal moves by companies with no forging capability to try and delay implementation. Manufacturers expect to see some interesting things to happen, and this will affect weld fittings, too. Basically the ruling states that rough flanges and fittings machined in the USA must be marked with the country of origin of the forging effective 06/12/2000. One manufacturer notes that they will position their company to furnish a “domestic” commodity product using domestic forgings.

## CARBON STEEL PIPE (CONTINUOUS WELD)

**Pricing** ↑ Manufacturers predict an increase of 3% to 5% during this quarter due to raw material costs, demand, and competition.

**Lead Times** – Forecasted lead times are 2 – 3 weeks with fill rates of 90% – 100%.

## CARBON STEEL PIPE (ERW & SEAMLESS)

**Pricing** → ↑ One manufacturer predicts no change and another predicts an increase of 5% to 7½%; however, all the import mills are raising prices to the U.S. 3% to 5%. Demand for oil country is pushing out line pipe deliveries.

**Lead Times** – Forecasted lead times are 6 – 12 weeks, with fill rates of 50% to 70%. Non stock special lead times are 10 – 14 weeks.

*Please note that arrows inserted after pricing is only a “Best Guess” of pricing direction after compiling information from select suppliers. It does not reflect input from all mfgs. nor does it include study of national economic indicators.*

## CARBON STEEL WELD FITTINGS AND FLANGES

**Pricing** ↑ Several manufacturers predict increases of 1% – 2½%, while another predicts an increase of 5% – 7½% due to raw material costs.

**Lead Times** – Delivery lead times are 1 – 3 weeks with fill rates of 70% to 90%.

**Comments** – The price of seamless pipe has increased approximately \$20 per ton with additional increases expected. Foreign competition is increasing from Mexico, Thailand, and Europe. One manufacturer comments that it seems like we are in a vacuum with lousy market conditions.

## FORGED STEEL FITTINGS

**Pricing** ↑ Increased pricing of 3% to 7% is predicted due to raw material costs and demand.

**Lead Times** – Fill rates are running 80% – 90% with lead times of 1 – 2 weeks for material not in stock.

**Comments** – Foreign competition increasing from Asia and Mexico.

## STAINLESS GATES, GLOBES, CHECKS

**Pricing** ↑ Manufacturers predict increased pricing of 5% to 7½% for this quarter due to raw material costs.

**Lead Times** – Forecasted lead times are running 4 – 6 weeks with fill rates of 50% to 70%.

**Comments** – Surcharges on stainless casting is averaging 10% to manufacturers. The nickel cost to the foundry is as high as \$5.00

per lb. Business on this commodity is brisk. Manufacturers see demand picking up as much as 15%. If this does happen, they predicts prices inching up on all products. Manufacturers claim they have done as much as they can to cut costs in an effort to absorb increases of labor, benefits, and materials.

## FORGED STEEL GATES, GLOBES, CHECKS

**Pricing** → No price change is expected for forged steel valves this quarter.

**Lead Times** – Deliveries are 3 – 4 weeks for material not in stock.

Exotic specials are running 4 – 6 week delivery.

**Comments** – Raw material prices are expected to hold for the quarter.

## BRONZE AND IRON GATES, GLOBES, CHECKS

**Pricing** → Manufacturers indicate there should be no price change for bronze and iron valves.

**Lead Times** – The deliveries are 3 – 4 weeks for commodity items with fill rates of 70% to 90%.

## CAST STEEL GATES, GLOBES, CHECKS

**Pricing** → Manufacturers indicate no change in pricing for cast steel valves.

**Lead Times** – Deliveries are 4 – 8 weeks from the factory for commodity items with 70% to 90% fill rates. Specialty items are

forecasted for 14 – 18 week deliveries.

**Comments** – Foreign competition remains strong from China, India, and Korea.

## QUARTER TURN VALVES — BALL AND WAFER

**Pricing** → Manufacturers forecast no price changes during this quarter.

**Lead Times** – Manufacturers indicate that lead times are running 2 – 3 weeks for 80% of commodity items, and the balance of 20% are running 4 – 6 weeks. Non-stock items are out to 8 – 12 weeks.

**Comments** – Nickel pricing is \$4.645/lb, which is \$1.00 over the end of 1999 pricing. Moly is at \$2.50/lb, which is down from \$2.68/lb at the end of 1999. Ferrochrome ended this quarter at .40/lb versus .39/lb at the end of 1999.



To the men and women who died for our freedom:

*We Thank You*

Memorial Day: Monday, May 29