Market Condition & Activity Bulletin

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Positive Material Identification Direction in the Pipe, Valve, and Fitting Industry

Positive Material Identification (PMI) has been in the Pipe, Valve, and Fitting Industry for the last 20 years. In the mid-90s there existed over 75 individual PMI procedures in the industry. As one can imagine with this many procedures there existed the propensity for error and rejection of a completed acceptable product when in fact the product was the correct material grade. The simple act of PMI is when a piece of pipe, a valve, or a fitting is identified using the method of *optical spectroscopy*, i.e. light to analyze the wave length of elements in a material grade (or) the method of *x-ray fluorescence* where the elements are analyzed via their energy source to determine each element in the material. Each method compares a technical instrument "finger print" with the stored value of the grade of material calibrated into the instrument for a grade of material match.

The PVF Roundtable started a PMI Task Group to standardize this method of PMI in our industry. The group looked at all 75 procedures in our industry and formatted one PMI standard to be balloted and finally published by ASTM. The PMI standard for our industry is call ASTM- E1916. Also, at about the same time, the Pipe Fabricator Institute published PFI-ES42 and the American Petroleum Institute published API 578 Standard. Currently, the Manufacturers Standards Society is formatting a PMI standard which addresses in manufacturing process PMI methods and procedures which should be ready for publication next year.

The new ASTM, PFI, and API documents address and correct all the problems that existed in the 75 individual procedures which were out in our industry. Through this standardization process, there existed many benefits for the end-user and manufacturer. By having one standard, everyone knows what is expected in the method of PMI at time of order and exactly what will be furnished to the end-user. The standards now come under the governing body of organizations which can foster the technical expertise to continuously improve these standards with new methods of instrumentation for PMI which will enter our industry in years to come. Also, the standards help the user in liability issues from following an industry standard as opposed to following an internal procedure which may have been deficient and hence dangerous for material acceptance of bad product.

The new standards may be obtained from Piping & Equipment. A detailed summary presentation on the PMI Task Group and the industry PMI movement is available as a down load file from the PVF Roundtable website at WWW.PVF.ORG.

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STAINLESS STEEL PIPE

Pricing ↗ Last quarter increases were industry wide as predicted. Manufacturers report conflicting opinions for the market this quarter. Several report no change this quarter with lower surcharges in August. Several report lower pricing as much as 3% – 7%. Still another predicts a slight increase of 1% – 2%. Flat rolled prices have stabilized. Nickel prices have also dropped recently, lowering net cost through lower surcharges.

Lead Times – Forecasted lead times for commodity items are reported to be from 4 to 12 weeks. Fill rates are running all over the board for different manufacturers reporting anywhere from 30% to 90%. Raw material deliveries are improving. Non-stock specials are forecasted for 12 – 16 weeks.

Comments – "A slow down in demand will lead to an increase in finished goods at the manufacturer," noted one manufacturer. The cost of nickel continues to decline in price below $4.00 currently as a result of labor settlements at Canadian nickel mines. The August surcharge will be significantly lower than June and July. Raw materials in the second month preceding the ship month are used to compute the monthly surcharge (i.e., June 2000 raw material prices determine August 2000 surcharges). The demand for the 3rd and 4th quarter has manufacturers concerned. However, the demand is reportedly still very strong for exotics. Foreign competition is seen as increasing particularly from Taiwan, Germany, Korea, Malaysia, South Africa, Canada, and Japan.

STAINLESS STEEL WELD FITTINGS

Pricing ↓ Manufacturers indicate a price decrease this quarter of 3% to 7% due to supply and demand, as well as competition. Activity levels continue being moderate at best. Manufacturers are beginning to feel the pressure of the lack of business. "Import levels continue to climb; therefore, any domestic projects turn into pricing wars," notes one manufacturer. The raw material costs are not decreasing at the same level as the fitting prices.

Lead Times – Commodity lead times are running 2 – 4 weeks with fill rates of 80% – 90%. Non-stock specials are shipping in 3 – 6 weeks.

Comments – Foreign competition remains strong. There is a rumor that a number of nickel mines may go on strike, but new mines may soften the impact. If nickel gets short then a substantial price increase would follow. Since the demand for domestic products remains moderate the 3rd and 4th quarter activity is not very optimistic. Dumping margins, when announced, would help domestic producers.

STAINLESS 150 AND HI-PRESSURE FITTINGS

Pricing → Manufacturers predict no change in pricing for this quarter. If a major project develops, pricing could go down because manufacturers are so hungry for business. This type pricing change would only affect a project or job and not the entire market.

Lead Times – Deliveries remain at 2 – 3 weeks with fill rates of 80% – 90%. Non-stock specials are also shipping in 2 to 3 weeks.

Comments – Manufacturers see foreign competition increasing from Pacific Rim countries, primarily 150# stainless. Also, one manufacturer notes that foreign products are beginning to stack up in master warehouses, which is putting everyone in the stainless steel business.

STAINLESS STEEL FLANGES

Pricing ↕ Manufacturers predictions are mixed. Some say no change, others say increases of 2% to 10%, and still another predicts a decrease of 5% – 7½%. One manufacturer notes that the market may vacillate depending on the cost of raw material and the upcoming battle on country of origin markings. The marking law could change the entire industry. Another manufacturer comments that the increase should stick because of the increased cost of billet due to nickel purchases made during the end of 1999 and first part of 2000. Others offer that there is not enough support for new prices at this time, and increases may come again later this year.

Lead Times – Fill rates of 40% to 70% for commodity items with lead times reported to be 2 – 4 weeks. Specialty items are 3 – 6 weeks with some delays reported due to delays in raw material shipments.

Comments – Dumping suits are in effect with India and Taiwan. Sunset review due out on India. Import countries in the foreign market include Korea, Italy, Germany, India, France, Malaysia, Philippines, Japan, and Mexico. Foreign competition may be decreasing if one manufacturer is forced to go out of business. Customs ruling and weak demand for commodity stainless steel seems to be combining to put downward pressure on prices, but it is not quite as bad on specialty flanges.

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 mgfs. nor does it include study of national economic indicators.

CARBON STEEL PIPE (CONTINUOUS WELD)

Pricing ➔ Manufacturers predict no change in the pricing of continuous weld carbon steel pipe. There was an attempt to raise prices, but it was stymied. Coil went up last quarter prompting the small increase of 1% – 2½% last quarter.
Lead Times – Commodity items are shipping in 1 – 2 weeks with 90% – 100% fill rates.
Comments – One manufacturer notes that business has dropped considerably in the past month. Interest rates and energy prices are putting the brakes on the economy.

CARBON STEEL PIPE (ERW & SEAMLESS)

Pricing ↗ Manufacturers predict pricing increases of 2% – 5% for this quarter. Demand for oil country is pushing out line pipe.
Lead Times – Fill rates of 50% – 80% on commodity items for ERW and seamless pipe. Non-stock specials remain at 8 – 16 weeks for delivery.
Comments – Foreign competition is seen as decreasing; however, watch for imports from third world countries, especially China.

CARBON STEEL WELD FITTINGS AND FLANGES

Pricing ➔ There are no price changes expected for the third quarter.
Lead Times – Deliveries are 1 – 3 weeks for commodity items with fill rates of 70% – 90%. Non-stock specials are shipping in 3 – 5 weeks.
Comments – Foreign competition increasing primarily Thailand, Mexico, and Europe. One manufacturer noted that carbon steel pipe prices continue to increase at about $20/ton every six months.

FORGED STEEL FITTINGS

Pricing ➔ No price change forecast for this quarter.
Lead Times – Fill rates of 90% – 100% with 3 – 4 week deliveries for commodity forged steel fittings.

STAINLESS GATES, GLOBES, CHECKS

Pricing ➔ No change in pricing forecast for this quarter. Watch for possible change by year end.
Lead Times – Most lead times are 4 – 6 weeks. Inventories on commodity product ranging 80% – 90%. Special valves shipping in 8 – 12 weeks.

FORGED STEEL GATES, GLOBES, CHECKS

Pricing ↕ Mixed reporting from manufacturers. Predictions are for a decrease of 5% and other predictions for 3% increase in pricing.
Lead Times – Commodity valves are shipping 4 – 6 weeks. Non-stock specials shipping 4 – 6 weeks, also.
Comments – Some manufacturers see foreign market increasing from third world countries.

BRONZE AND IRON GATES, GLOBES, CHECKS

Pricing ➔ Bronze and Iron valves are not expected to have any change over this quarter.
Lead Times – Commodity valves are shipping in 3 – 4 weeks with fill rates of 70% – 80%. Non-stock special items are running 8 – 12 weeks.

CAST STEEL GATES, GLOBES, CHECKS

Pricing ↘ Some manufacturers suggest no price change this quarter, and still others predict 1% – 2½% decrease. Market appears to be very weak.
Lead Times – Commodity cast steel shipping in 1 – 2 weeks with 80% – 90% fill rates. Special valves out 16 to 20 weeks.
Comments – Third world seen as increasing influence in the cast steel valve market.

QUARTER TURN VALVES — BALL AND WAFER

Pricing ↗ One manufacturer predicts a quarter with no price change, and still another is predicting a 3% – 5% increase due to labor costs. The market is actually pretty stable notes one manufacturer.
Lead Times – Deliveries are 1 – 2 weeks with 80% – 90% fill rates. Non-stock special item lead times are approximately 5 – 10 weeks.
Comments – One manufacturer notes that the Asian market is seen as increasing.