



Market Condition & Activity Bulletin

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

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COMING BACK STRONGER

“Coming Back Stronger” was chosen as the theme for the annual North American Meeting of Affiliated Distributors on September 26, 2002 in Nashville, Tennessee. This theme was selected as a tribute to the resilience and entrepreneurial drive of their Affiliates, Supplier partners, industries and respective countries. Three days after the 2001 annual meeting, on September 11, 2001, two planes flew into the Twin Towers of the World Trade Center, a third flew into the Pentagon, and a fourth crashed after an on-board struggle in the skies over Western Pennsylvania. None of us will ever forget that day. Either where we were, or how it made us feel is now deeply personal memories for the rest of our lives. And none of us know for sure exactly how it may have changed us. Either deep inside, who we are, or how we look at the world and our place in it has been changed. But I think it is safe to say, that it taught us something about ourselves. It helped us remember what is truly important to us— what we value about our way of life, our economic and religious freedoms, our ability to pursue our dreams, and our relationships.

It is safe to say that September 11th brought many of us closer together. It helped us put aside our cynicism and isolation. We hung flags in our homes. We said “hello” again to our neighbors. We talked differently to our co-workers and business partners. You see it is how we act, during moments of crisis, like these, that tell us who we truly are. Historian Brooke Westcott once said, “Great occasions do not make heroes or cowards; they simply unveil them to the eyes of men.” What did we learn about ourselves? We learned that we are, at heart, a people of community. We learned that what unites us, is stronger and far deeper than what keeps us apart. We learned that we have the strength and the will, when we act as a community, to endure, to overcome and to triumph. The military campaign that was initiated after 9/11 is not yet over. But does anyone here doubt whether the U.S. and our allies will ultimately be victorious? The economic downturn that started long before 9/11 is not yet fully over. But does any here doubt whether growth and renewed prosperity lie ahead? Oh sure, it gets dark sometimes. But just as surely as day follows night, our industry, our businesses and our communities will all be Coming Back Stronger.

The members of Affiliated Distributors are not all alike, not by any means. They come in all sizes. They serve all types of end-user markets. They are rural and urban. Multi-location and single store, but each of them is a valued member of Affiliated Distributors. They are solid companies run by smart, successful business people with great strength. And the great strength is Affiliated Distributors. The members of AD are just what make the United States and Canada great. That's all. They are the lifeblood of their local communities and or our industry. They fund scholarships to local colleges. They support local charities. They lead trade associations. They provide well-paying jobs in their local communities. They train and educate their work forces. They maintain significant local inventories. They are loyal to their suppliers. They support their key initiatives. They negotiate using win-win strategies. They are close to their customers. They truly understand their needs and man do they ever provide great service! They are the channel of choice for customers and for suppliers alike.

One of the greatest blessings in life is to be excited and passionate about what you do for a living. It is a big part of what makes a successful company. Even in 2002, a tough year for lots of folks in our industry, Affiliated Distributors and its members have been getting stronger in spite of the economy. We have used this time to sharpen our focus on the fundamentals. On the everyday blocking and tackling that winning organizations need to excel at we are stronger. We have enhanced our communications and the vehicles by which we get feedback and direction. We have made positive changes in direct response to our Affiliate committees, Network Meetings and our Supplier Advisory Councils. We have become more proactive at monitoring our performance and taking corrective action as needed. Martin Luther King once said, “The ultimate measure of a man, is not where he stands in moments of comfort and convenience, but where he stands at times of challenge and controversy.” It is the choices we make that matter. Times are tough, but there is also opportunity everywhere, in every market. It is all around us. There is opportunity with every customer, with every supplier, and with every distributor. My advice to you is this: reach out and grab it. This is not a time for business as usual or hesitation. This is a time to seize opportunities. This is a time to do what you need to do to insure success. Look, with fresh eyes, at all the opportunities that are right in front of you just waiting for you to reach out and grab them. “Coming Back Stronger” is not a prediction or forecast, it is a choice. And that choice, my friends, is yours.

This article was taken from the comments of Bill Weisberg, Chairman and CEO of Affiliated Distributors, at the 2002 North American Meeting in Nashville, Tennessee. Piping and Equipment, Inc. is proud to be an Affiliate Member since 1995.

STAINLESS STEEL PIPE

Pricing ↗ Numerous manufacturers predict an increase of 2% – 5% due to raw material costs and demand. One manufacturer notes that base price modifications were made on 4" and 6" to correct past schedule anomalies. Global competition has the same concerns on these sizes. One manufacturer notes a possible decrease in stainless pipe pricing of 1% – 2½% due to weak demand putting pressure on pipe pricing. These predictions follow third quarter pricing increases reflecting increases in skelp (coil) prices and alloy surcharges.

Lead Times – Demand for stainless steel pipe is nominally improved from this period a year ago. Lead times are forecast

for 8 to as much as 20 weeks dependent on size. Commodity item fill rates are approximately 40% to 70%.

Comments – Manufacturers note dumping suits in effect now for Taiwan and Korea with competition still strong from Korea, Malaysia, and Taiwan. However, lead times for foreign material is increasing. Nickel pricing is flat to slightly down settling in at approximately \$3.00/lb on the LME. Moly Oxide has settled down after a dramatic run-up in June. Chrome prices are expected to be up modestly in the fourth quarter 2002 based on contract agreements as reported from manufacturers. Demand continues to be extremely weak with few projects.

STAINLESS STEEL WELD FITTINGS

Pricing ↗→ Manufacturers forecast increasing prices ranging from 3% to 10% or more due to raw material costs and becoming effective industry wide by the end of this quarter. Domestic stainless fittings are expected to increase this quarter with import fittings potentially following in the first quarter of 2003. It will create a bigger gap between domestic and foreign pricing temporarily. One manufacturer notes that they can ship commodity items complete 90% of the time and within 2 – 3 weeks on balance. Another manufacturer indicates 80% – 90% fill rates with lead times of 6 – 8 weeks on commodity items. One factory notes that they are starting to see deliveries slip due to less inventory, labor force cut backs, and longer lead times on raw materials. If the flanges and butt-weld fittings increase sticks this quarter, the consensus is that the stainless weld fittings will also hold.

Lead Times – One manufacturer notes that they can ship commodity items complete 90% of the time and within 2 – 3 weeks on balance. Another manufacturer indicates 80% – 90% fill rates with lead times of 6 – 8 weeks on commodity items. One factory notes that they are starting to see deliveries slip due to less inventory, labor force cut backs, and longer lead times on raw materials. Therefore, manufacturers indicate that inventory levels may drop commodity fill rates as low as 70% – 80%. Non-stock or exotic special items are out to 6 – 8 weeks. Import material is slipping somewhat due to extensive work overseas particularly in China. One new player in class 150 stainless will appear from Taiwan during the first quarter of 2003.

Comments – Manufacturers are cautiously optimistic concerning the market in 2003.

STAINLESS 150 AND HI-PRESSURE FITTINGS

Pricing ↗ Several manufacturers predict an industry wide price increase of 5% – 10% for pressure fittings. New list prices have been issued and manufacturers expect full compliance by November 2002. This increase has been sparked by labor and raw material costs.

Lead Times – Fill rates of 70% – 90% and short lead times of 3 – 4 weeks are prevalent across this market. Third quarter followed fourth quarter with low demand and stagnant market conditions. Non-stock special lead times are 4 – 6 weeks with lead times depending on availability of raw material, which could

create some shortages with any increase in demand.

Comments – Slower market conditions are becoming unattractive to foreign competition. Moly and Nickel are up and down; however, both materials are expected to have an increasing cost trend during the last quarter of 2002. If demand shows some slight improvement, manufacturers expect prices to rebound somewhat since there is a reduced amount of material available in the market with distributors scaling back their inventories.

STAINLESS STEEL FLANGES

Pricing ↗ Manufacturers of stainless flanges are predicting price increases of 3% – 5% immediately or have just closed the third quarter with similar increases. New price sheets have been issued on 12" and under.

Lead Times – Lead times are decreasing with 2 – 3 week lead times and 60% – 90% fill rates. Non-stock specials are reported

to be shipping in 4 – 6 weeks.

Comments – The domestic market is 15% – 20% of the total market. Foreign material has successfully taken over this commodity with participation from Germany, Italy, Korea, Mexico, China, and Taiwan. Nickel has been rather volatile over the past three months moving from \$6,100 to \$7,200 per metric ton.

CARBON STEEL PIPE (CONTINUOUS WELD)

Pricing → Manufacturers report no change expected on continuous weld carbon steel pipe

Lead Times – Fill rates of 80% – 90% combined with lead

times of 12 weeks or commodity items is a direct reflection of the current demand. Non-stock specials are shipping in 3 – 4 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 PIPE (ERW & SEAMLESS)

Pricing ↗ Manufacturers indicate a price increase of 3% – 5% for ERW and no change for seamless carbon steel pipe for the fourth quarter of 2002.

Lead Times – Commodity item lead times are reported to be 2 – 4 weeks with fill rates of 60% to 80% for commodity items.

Non-stock specials are forecast for 6 – 12 week deliveries.

Comments – Manufacturers report additional flat rolled increases have been announced for the fourth quarter of 2002. Demand remains flat. Foreign competition increasing from China, Eastern Europe, Romania, Poland, Russia, Ukraine and Czech Republic.

CARBON STEEL WELD FITTINGS AND FLANGES

Pricing → Carbon steel weld fitting and flange manufacturers indicate no price change for this quarter.

↗ Manufacturers of carbon steel welded nipples, coupling and seamless nipples are predicting an increase of 3% to 5% this quarter.

Lead Times – Manufacturers report fill rates at 90% – 100%.

The forecast lead times are 2 – 3 weeks for commodity items not in stock. Lead times for non-stock specials are 4 – 8 weeks.

Comments – Manufacturers of carbon steel fittings and flanges indicate seamless pipe pricing is relatively stable. The market continues at low ebb; however, some comments are beginning about improvement during the fourth quarter and into 2003.

FORGED STEEL FITTINGS

Pricing → Manufacturers indicate no pricing change during the last quarter of 2002. The only pricing change is dependent on projects and approvals.

Lead Times Fill rates are strong with manufacturers reporting 80% to as much as 97%. Commodity items are Fill rates remain

strong at 80% – 95%. Non-stock specials are shipping in 4 – 6 weeks.

Comments – There are no dumping suits reported by manufacturers. Pricing for raw material purchases have been stable over the past quarter.

STAINLESS GATES, GLOBES, CHECKS

Pricing → Manufacturers indicate no price change during the fourth quarter. Pricing is steady and manufacturers do not anticipate any major change until the demand picks up.

Lead Times – Fill rates for commodity items are reported to be 70% – 80%. Lead times are forecast at 8 – 12 weeks. Non-

stock special items are shipping in 8 – 12 weeks.

Comments – Manufacturers report that this product has been most affected these days. Chemical customers continue to feel the pinch of this recession. They are closely watching maintenance and capital purchase spending.

FORGED STEEL GATES, GLOBES, CHECKS

Pricing → The prediction for forged steel valve pricing is no change. Project pricing is very competitive. MRO pricing is holding.

Lead Times – Lead times are 1 – 2 weeks for commodity items. 80% – 90% of commodity items are shipping from factory

stock. Inventory is considered mostly unfinished and built to order. Lead-time on non-stock exotic items is 6 – 8 weeks.

Comments – Manufacturers are holding pricing as covered by supplier alliances. Noticing slight increase of activity on projects.

BRONZE AND IRON GATES, GLOBES, CHECKS

Pricing → Manufacturers predict no price change on bronze and iron for the first quarter of 2003. Pricing is expected to remain steady until after the first quarter of 2003.

Lead Times – Fill rates of 80% – 90% for commodity items combined with forecast lead times of 1 – 2 weeks for bronze and iron gate, globes, and check valves.

Comments – The bronze business is reported by manufacturers to be down, but steady and copper prices have been consistent for the most part over the past year. One manufacturer notes an unusual increase of 14" and larger iron valves. Sales to the paper industry continue to be slow as reported by one manufacturer.

CAST STEEL GATES, GLOBES, CHECKS

Pricing → The cast steel valve manufacturers are also reporting no change. The lack of activity is causing stable pricing with spot declines.

Lead Times – Commodity cast steel valve lead times are 6 – 8 weeks with fill rates reported to be 40% – 50%. Non-stock specials are forecast for lead times of 8 – 16 weeks.

Comments – Manufacturers are reporting that market activity continues to be slow in refining, petro-chem, and pulp and paper. The power industry is also slowing. In fact, the flat global market is causing foreign producers to look in the USA for a market place.

QUARTER TURN VALVES — BALL AND WAFER

Pricing → Manufacturers indicate stable pricing for quarter valves during the final quarter of 2002.

Lead Times – Fill rates are 60% – 80% on commodity ball and wafer valves with 80% of items shipping from stock to 2 weeks and the balance shipping in 4 – 8 weeks. Non-stock specials are shipping in 8 – 12 weeks.

Comments – The quarter turn valve market is low demand with strong competition. Manufacturers report that all industries seem to be beat down with customers wanting more than they

are willing to pay for, which is probably caused by the supply and demand that exists today. There is no question that CEOs are very concerned about how the continuing terrorists factor is affecting their business and— as time goes on— will continue to affect their business. One manufacturer notes that one big reason for our country being in the doldrums today is the looming possibility of a war in the Middle East, and the unknown of how this will affect business. We all have to work harder— every single day— for the same results.



*Happy
Holidays*



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