Market Condition & Activity Bulletin

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A TRIBUTE TO FRANK SMILEY

We are sad to report the sudden death of Frank Smiley, a Piping and Equipment, Inc. employee of over twenty-one years. Frank passed away on Saturday, December 21, 2002 in Denham Springs, Louisiana. His wife, Lillian, and their children, Darren, Kristie, and Angie are experiencing a tremendous loss to their family. We want to take this time to celebrate his life as an employee and a dedicated family man.

Frank was born in 1939, and we were all privileged to share with him part of his sixty-three years. He was devoted to his wife and children. He was a very strong Christian and was involved with his church choir. His beautiful singing voice was a delight to all who heard him sing. Frank was also an avid fisherman, with his own camp place to get away from it all and just enjoy his passion for fishing.

As of September 1st, 2002, Frank has been a part of the P&E family for twenty-one years. His career with Piping and Equipment, Inc. started in Baton Rouge as Warehouse Manager. He was also in charge of actuation. Later, he became the Inside Sales Manager in Baton Rouge. After some time, Frank moved to Mobile to become the General Manager for over four years until he got the urge to move back to Baton Rouge.

Frank took over the PANDE Baton Rouge location for a while, and then made his final home at the Gonzales location, where he was in charge of the Actuation Department, Inside Sales Manager, and handled several large accounts for Gonzales.

When it comes to actuation, Frank Smiley was like a walking encyclopedia of knowledge. Everyone could always count on him to get the job done, and get it right! He took the time to teach those around him and share his product knowledge. His concern for providing excellent customer service and giving every job his best effort was inspiring to those of us who were allowed the privilege to work for and with Frank over the past years. His work ethic was an inspiration, and we all learned from his actions and support of others. Asking others to report on what they had learned from working with Frank brought the following comments:

- In every customer request, pay extra attention to the detail! “The devil is in the detail.”
- If or when a problem occurs, handle the issue now. Do not put off problem issues until tomorrow or later.
- In meeting customer requests, make sure that you source the market thoroughly.
- Never take anything for granted.
- Take care of your customer, and your customer will take care of you and P&E.
- Remember your family.
- You must take some time away from work for things you enjoy.
- Minimizing the unknown— the more you know and minimize the unknown, the more successful you will be.
- Always have a back-up plan. In satisfying the customers needs, if your original plans go haywire, always have a contingency plan!
- Never give up! If a customer requests something, find a way to fill the request! “We can’t” was not in Frank’s vocabulary.

Although Frank has left us, he has left a legacy of his love and compassion for life through his family life and his career. We all want to take this time to say a prayer for his family and let them know that Frank will be missed by all of us.

STAINLESS STEEL PIPE

Pricing ↗ Several manufacturers predict prices are increasing 3 – 6% this quarter due to labor and raw material costs. Stainless steel coil is also predicted to increase 1 – 2½% this quarter.

Lead Times – With fill rates of 40 – 60%, lead times are averaging 4 – 8 weeks on commodity items. Non-stock special items are running 8 – 12 weeks.

Comments – Stainless steel imports into the United States during the first ten months (January – October) 2002 were 442,967 tons, which was a 4% increase compared with the same period 2001. The Specialty Steel Industry of North America (SSINA) shows that total stainless steel imports continue to eat away at almost one-quarter of the U.S. market, despite tariffs on certain stainless steel long products that took effect in March of 2002. The tariffs were to provide a safety net to the American steel industry, which has been hammered by voluminous amounts of low-priced imports for more than a decade. Paul A. Kelly, Chairman of the SSINA explained, "Import surges from countries not covered by the relief program and the granting of numerous exclusions for critical products produced by our companies are undercutting the effectiveness of the relief."

RAW MATERIALS (source: MetalPrices.com)

LME Nickel

Monthly Average Date	Monthly Average Cash USD / lb.	Monthly Average 3 Mo USD / lb.	LME Inventory Metric Ton
1/16/03	$3.640	$3.661	20124
Current Month	$3.510	$3.519	20124
Prior Month	$3.264	$3.273	21990

Cr Ferrochrome

Ferrochrome 60 – 65% High Carbon USD/LB				Ferrochrome 60 – 65% (.05% Max Carbon) Low Carbon USD/LB			
Date	Low	High	Avg.	Date	Low	High	Avg.
1/10/03	.33	.36	.35	1/10/03	.74	.79	.77
1/3/03	.33	.36	.35	1/3/03	.74	.79	.77
12/6/02	.33	.36	.35	12/6/02	.74	.79	.77
11/1/02	.33	.36	.35	11/1/02	.74	.79	.77

The DLA has been selling both high carbon and low carbon ferrochrome and has sold a fair amount of material. This has put a moratorium on price rises—and given producers time to build inventory, which had grown quite lean. Prices will probably resume rising in the first quarter.

Molybdenum

Moly contained in 316 Scrap Solids • Monthly Stainless Mills North America USD / LB

Date	Low	High	Avg.	Change
1/6/03	2.65	2.75	2.70	.35
12/1/02	2.00	2.70	2.35	-.53
11/1/02	2.75	3.00	2.88	-.52
10/1/02	3.30	3.50	3.40	0

STAINLESS STEEL WELD FITTINGS

Pricing ↓→ One manufacturer predicts pricing will decrease by 1 to 2½% due to lack of demand and competition to keep market share. Another manufacturer predicts no price change this quarter following the market wide increase of 8 to 10% holding from the 4th quarter of 2002.

Lead Times – Deliveries are remaining constant with 80 to 90% fill rates. Forecast lead times for commodity not in stock is 3 – 4 weeks. Non-commodity items are at 4 – 6 weeks, while some extremely unusual alloys may go out 8 – 10 weeks.

Comments – Manufacturers note that activity has not changed, and the market continues to be affected by the economy and imports. There appears to be no immediate relief in sight for the domestic stainless steel welds fitting market according to manufacturers. More import fittings are being seen from China.

STAINLESS 150 AND HI-PRESSURE FITTINGS

Pricing ↑→ Several manufacturers predict no change in the stainless steel 150# and pressure fitting market this quarter, while another indicates a 3 to 5% increase due to raw material costs.

Lead Times – Fill rates of 80 – 90% and short lead times of 2 – 3 weeks are forecast for stock commodity material. Non-stock special lead times are 2 – 3 weeks.

Comments – Import inventories in the United States remain strong with import class 150 non-spec material prices decreasing 2 – 4% due to decreased demand and vendors moving to increase their market share. Foreign competition continues to be more and more aggressive in today's market.

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.

STAINLESS STEEL FLANGES

Pricing ↗➔ Manufacturers are mixed with pricing forecast for no change, up a little, or increasing 3 to 5%.

Lead Times – Fill rates are running 60 to 80% with lead times of 2 – 4 weeks. Non-stock specials are reported to be shipping in 4 – 8 weeks.

Comments – Foreign competition remains strong from Korea, Italy and Mexico.

CARBON STEEL PIPE (CONTINUOUS WELD)

Pricing ➔ Manufacturers report no change this quarter predicted for continuous weld carbon steel pipe due to supply and demand.

Lead Times – Fill rates of 90 – 100% combined with lead times of 1 – 2 weeks on commodity items. Non-stock specials are shipping in 2 – 3 weeks.

CARBON STEEL PIPE (ERW & SEAMLESS)

Pricing ➔ Manufacturers indicate no price change forecast for the first quarter of 2003 for ERW or seamless carbon steel pipe due to over-supply and lack of demand.

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

Comments – Manufacturers indicate that demand for seamless line pipe will be flat until at least the 2nd quarter of 2003. Oil country tubular needs to pick-up, and then line pipe will follow.

CARBON STEEL WELD FITTINGS AND FLANGES

Pricing ➔ Carbon steel weld fitting and flange manufacturers predict no price change for the 1st quarter of 2003.

Lead Times – Manufacturers forecast fill rates to continue at 90 – 100%, with lead times of 2 – 3 weeks for commodity items not in stock. Lead times for non-stock specials are 3 – 6 weeks.

Comments – Strong foreign competition from Mexico, Thailand, Korea, Canada, China, and Italy. Suits against importers may have some slight impact on foreign product entering the United States.

FORGED STEEL FITTINGS

Pricing ➔ Manufacturers forecast no change in pricing for the 1st quarter of 2003.

Lead Times – Fill rates are forecast for 80 to 90% fill rates. Commodity items are shipping in 2 – 3 weeks. Non-stock specials are shipping in 4 – 6 weeks.

STAINLESS GATES, GLOBES, CHECKS

Pricing ➔ ↔ One manufacturer indicates no price change while another forecasts pricing to fluctuate from 1 – 2½% down to 1 – 2½% up during the first quarter of 2003. The fluctuating change is being pushed by supply, raw material costs, demand, competition, and labor costs.

Lead Times – Fill rates for commodity items are reported to be 70 – 80%. Lead times are forecast at 2 – 4 weeks. Non-stock special items are shipping in 8 – 16 weeks.

Comments – Manufacturers report they expect the demand for specialty materials and special trims to continue to increase.

FORGED STEEL GATES, GLOBES, CHECKS

Pricing ➔ The prediction for forged steel valve pricing from manufacturers is no change this quarter. However, manufacturers indicate they may increase pricing on spare parts.

Lead Times – Lead times are 2 – 3 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 special items is 12 – 16 weeks.

Comments – Manufacturers indicate their raw material contracts are in place and holding. MRO emergency replacement activity is seeing increasing activity.

BRONZE AND IRON GATES, GLOBES, CHECKS

Pricing ➔ Manufacturers indicate no price change on bronze and iron during the first quarter of 2003.

Lead Times – Fill rates are forecast for 60 – 90% on commodity items with forecast lead times of 2 – 4 weeks on bronze and iron gate, globes, and check valves. Non-stock items are forecast for 8 – 16 weeks.

Comments – Competition from China continues to grow on bronze valves.

CAST STEEL GATES, GLOBES, CHECKS

Pricing ➔ ↔ The cast steel valve manufacturers are reporting mixed information from no change, 1 – 2½% down, or 1 – 2½% up during the first quarter of 2003. Pricing pressure is coming from supply, demand, competition, labor, and raw material costs.

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 report that until the domestic and global economy stabilizes and capital investments rejuvenate, competition will stay high. Domestic projects are lacking.

QUARTER TURN VALVES — BALL AND WAFER

Pricing ➔ Manufacturers predict no change in pricing during the first quarter of 2003.

Lead Times – Fill rates are 60 – 80% on commodity ball and wafer valves with lead time of 4 – 6 weeks for commodity items not in stock. Non-stock specials are shipping in 8 – 12 weeks.

Comments – The quarter turn valve market is being impacted by customer's desire to do business with national suppliers according to one manufacturer.

Industrial Information Resources of Houston is forecasting 735 new plant start-ups in 2003 versus 705 in 2002. Start-ups are defined as new construction or previously closed plants restarting with new ownership or new product. Industries with the most notable growth include food and beverage (157), industrial manufacturing (149), and power plants (148). One of the leading industries in capital spending is the pharmaceutical and biotech sector with 29 new plants starting up in 2003. For more information on the 2003 outlook, see www.industrialinfo.com.

The industrial valve shipments by end–user industry for 2000 through 2002:

Industry	2000 Percent of Total	2001 Percent of Total	2002 Percent of Total
Power Generation	10.9%	11.0%	11.2%
Co-Generation	1.8%	2.0%	2.0%
Gas Distribution	2.4%	2.3%	2.3%
Oil & Gas Transmission	5.6%	5.5%	5.4%
Petroleum Production	12.0%	12.1%	12.2%
Petroleum Refining	10.8%	10.9%	11.0%
Chemical	17.7%	17.5%	17.3%
Iron & Steel	1.9%	1.8%	1.8%
Pulp & Paper	7.0%	6.9%	6.8%
Marine	1.5%	1.5%	1.5%
Commercial Construction	5.1%	5.2%	5.2%
Food & Beverage	2.3%	2.4%	2.3%
Water & Wastewater	17.1%	17.2%	17.3%
Mining	0.6%	0.6%	0.6%
Textiles	0.5%	0.5%	0.5%
Other	2.8%	2.6%	2.6%

Source: Valve Manufacturers Association

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