



Market Condition & Activity Bulletin

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U. S. STEEL TARIFFS IMPACT STEEL CONSUMERS

In June 2001, President Bush directed the International Trade Commission to perform a §201 or Global Safeguard Investigation into increased imports of certain steel products. A §201 investigation seeks to determine whether imported products are a substantial cause of serious injury or a threat of serious injury to the steel industry. Section 201 refers to §201 of the Trade Act of 1974, which is codified at 19 USC §2251. A §201 investigation does not require a finding of an unfair trade practice, nor is it country-specific. If an injury or threat is found, the remedy is imposed by product and applies to all countries unless excluded by the President.

The ITC released its determination on December 19, 2001 finding that increased imports of certain steel products are a substantial cause of serious injury or pose a threat of serious injury to the U.S. steel industry. President Bush announced on March 5, 2002 that, based on the ITC's findings tariffs would be implemented against certain steel goods entered or withdrawn from warehouses for consumption on or after 12:01 A.M. EST on March 20, 2002. 67 Federal Register 10553 (March 7, 2002). In addition to the tariffs, President Bush ordered the creation of an import licensing system to facilitate the monitoring of these imported goods.

The trading partners most affected by the tariffs were China, Russia, the European Union, South Korea, Japan and Brazil. Canada, Mexico, Israel and Jordan are excluded from the tariffs, as are developing country members of the World Trade Organization. The following tariffs were applied on products noted over the following three years:

Certain Welded Tubular Products	Year 1: 15%	Year 2: 12%	Year 3: 9%
Carbon and Alloy Fittings and Flanges	Year 1: 13%	Year 2: 10%	Year 3: 7%
Finished Flat Products / Tin Mill Products	Year 1: 30%	Year 2: 24%	Year 3: 18%
Hot-rolled and Cold-finished Bar	Year 1: 30%	Year 2: 24%	Year 3: 18%
Rebar	Year 1: 15%	Year 2: 12%	Year 3: 9%
Stainless Steel Bar and Rod	Year 1: 15%	Year 2: 12%	Year 3: 9%
Stainless Steel Wire	Year 1: 8%	Year 2: 7%	Year 3: 6%
Slab	Year 1: Quota of 4.90 million metric tons with over-quota tariff of 30%	Year 2: Quota of 5.35 million metric tons with over-quota tariff of 24%	Year 3: Quota of 5.81 million metric tons with over-quota tariff of 18%

The World Trade Organization has issued a preliminary ruling on March 26, 2003 that tariffs President Bush imposed a year ago to protect the U.S. Steel industry are a violation of global trade rules, but the decision will not be made public for another month, giving the parties time to file comments. The WTO has never reversed a preliminary ruling during the one-month comment period. Administration officials said the United States would appeal the ruling, delaying a final decision until September. The decision represents the latest setback the administration has faced at the hands of the Geneva-based organization that administers the rules of global trade.

U. S. steel consuming industries have urged the administration to end the “safeguard” program, which has two more years to run. They have complained that the high tariffs have cost their companies 200,000 jobs over the past year. The tariffs threatened to spark a global trade war as the one-nation European Union, Japan, China, Brazil and other countries argued that the American action violated WTO rules because foreign steel shipments to the United States had already peaked and were coming down. The EU and other nations never went ahead with threats to impose immediate retaliation because the administration began granting more than a thousand exemptions to its initial sanctions list. Just last week, the administration announced that it had exempted an additional 295 steel products from the tariffs, bringing the total number of exemptions to 1,022. The total in exclusions is now 3.6 million metric tons, or 27 percent of the 13.1 million metric tons of steel imports covered by Bush's original order.

Excerpts for this article provided in Mary Margaret Utterback's legal report for Resources Industry Reports, Washington, D.C.

STAINLESS STEEL PIPE

Pricing ↑ Several manufacturers are posting increased pricing this quarter of 5% – 7%. One manufacturer states that the stainless steel pipe industry is not viable without a price increase. Raw material and labor costs are pushing increased pricing. One manufacturer notes that flat rolled suppliers' red ink is forcing increases.

Lead Times – Lead times are 6 – 8 weeks on stock items with fill rates of 50% – 90% on commodity items. Non stock items are forecast to ship in 8 – 12 weeks.

Comments – During the first quarter of 2003, nickel peaked at \$4.00 per lb. +/-, and has now settled back to around \$3.60 per lb. Expectations are it will stay around that level. Moly increased in the first quarter of 2003 from \$3.80 per lb. to \$4.54 per lb. Foreign competition is seen

as increasing in Japan, Germany, and Italy. Avesta Polarit has introduced its latest Duplex stainless innovation, LDX 2101. It boasts corrosion properties similar to 304L. It delivers multiple benefits as a stainless that is not sensitive to stress-corrosion cracking. It is a superb product for general applications when resistance to stress-corrosion cracking is essential, but it has a more stable pricing structure due to its very low nickel and molybdenum content. LDX 2101 can easily be substituted for 304L when inventories are low—or customers have immediate needs. Currently available in hot rolled plate, cold rolled sheet, and coil, LDX 2101 will also be produced in bar, pipe, and tube.

STAINLESS STEEL WELD FITTINGS

Pricing ↓→ Several manufacturers indicate decreased pricing from 3% to as much as 8% due to lack of demand, competition, and raw material costs. Other manufacturers predict prices holding this quarter due to increases in transportation costs and surcharges, in spite of the small demand. Manufacturers are meeting competitive situations in many cases.

Lead Times – Lead times are currently at 2 – 4 weeks with fill rates of 70% to 90%. Most manufacturers are

keeping good inventory levels since distributors are scaling back inventory numbers. The forecast for non-stock specials is running 4 – 8 weeks.

Comments – Manufacturers note that factory runs are being dictated by demand. For instance, instead of running 1000 pieces, they are more often running 500 pieces. One manufacturer indicates that an Administrative Review has been asked for on all Korean butt weld fitting manufacturers.

STAINLESS 150 AND HI-PRESSURE FITTINGS

Pricing ↑ Manufacturers indicate a pricing increase of 5% – 8% due to raw material costs, surcharges, and overall manufacturing costs including energy costs.

Lead Times – Fill rates are 80% to 90% with lead times of 1 – 2 weeks on commodity material. Non-stock special are shipping in 2 – 3 weeks.

Comments – Foreign competition is seen as holding. It is speculation that the European manufacturers of XH fittings are seeking an increase to offset currency exchange rates as the dollar continues to decrease in value according to one manufacturer.

STAINLESS STEEL FLANGES

Pricing ↑ Manufacturers have announced increases of 10% or more on stainless flanges due to raw material costs. Nickel pricing reached almost \$9,000 / MT. Although it has come down, nickel remains volatile.

Lead Times – Lead times are running 2 – 4 weeks with fill

rates of 60% – 80%. Non-stock special lead times are running 6 – 8 weeks.

Comments – Foreign competition is seen as increasing from Korea, Italy, Germany, Mexico, and the Philippines.

CARBON STEEL PIPE (CONTINUOUS WELD)

Pricing → Manufacturers indicate no change in pricing on Carbon Steel continuous weld pipe.

Lead Times – Fill rates remain at 90% – 100% combined

with lead times of 3 – 4 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 ERW or seamless carbon steel pipe due to over-supply and lack of demand.

Lead Times – Commodity item lead times are forecast for 4

– 6 weeks with fill rates of 60% to 70% on commodity items.

Comments – Manufacturers indicate that demand for seamless line pipe will be flat until at least the end of the 2nd quarter of 2003.

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 WELD FITTINGS AND FLANGES

Pricing → Carbon steel weld fitting and flange manufacturers indicate no change in pricing.

Lead Times – Manufacturers forecast lead times of 1 – 4 weeks with fill rates of 80% – 100% on commodity items. Lead times for non-stock specials are running 4 – 8 weeks.

Comments – Strong foreign competition continues from Mexico, Thailand, Taiwan, Korea, Canada, Italy, France and Viet Nam. Overall activity is seen as slow to moderate with some indications of slight improvement.

FORGED STEEL FITTINGS

Pricing → Manufacturers forecast no change in pricing during this second quarter of 2003.

Lead Times – Fill rates are 90% to 100% on commodity items and shipping in 1 – 2 weeks. Non-stock specials

are shipping in 2 – 3 weeks.

Comments – Manufacturers indicate that European manufacturers are seeking to increase prices to compensate for the falling dollar.

STAINLESS GATES, GLOBES, CHECKS

Pricing → Some manufacturers predict no change in pricing for stainless valves this quarter. Others are predicting mixed signals of 1% – 2½% up or 1% – 2½% down due to supply, raw materials, demand, competition, and labor costs.

Lead Times – Fill rates for commodity items remain at

70% – 80%. Lead times are forecast at 4 – 8 weeks. Non-stock special items are shipping in 8 – 12 weeks.

Comments – One valve manufacturer is cautiously optimistic about the second half of the year with a big increase in quotation backlog. The chemical industry seems to have been hardest hit in North America.

FORGED STEEL GATES, GLOBES, CHECKS

Pricing → No change in pricing predicted for forged steel valves. Manufacturers note that they are increasing prices on parts to give them some relief, which is all they can get with demand down.

Lead Times – Lead times are 2 – 8 weeks for commodity items depending on the manufacturer. 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 6 – 12 weeks.

Comments – Manufacturers indicate domestic project activity is flat. International activity remains strong. Increased activity is seen with foreign competition from India, China, and Korea.

BRONZE AND IRON GATES, GLOBES, CHECKS

Pricing ↑→ Manufacturers predict a 1% – 5% increase on bronze valve pricing this quarter due to raw material costs. Firm price increases have been building on bronze ingot for the last 16 months. Iron valve pricing is reported to have no price changes during this quarter.

Lead Times – Fill rates are forecast for 60% – 90% on

commodity items with forecast lead times of 4 – 6 weeks on bronze and iron gate, globes, and check valves. Non-stock items are forecast for 8 – 16 weeks.

Comments – Foreign competition continues to grow on bronze and iron valves.

CAST STEEL GATES, GLOBES, CHECKS

Pricing →↓ The cast steel valve manufacturers are reporting no change to a drop of 1% – 2½% due to supply, capacity, demand and competition.

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 12 – 20 weeks.

Comments – Manufacturers report that the commodity cast steel valve market continues to stagnate and further slow. Some manufacturers are quoting below cost to keep their factories in production and take advantage of absorption. This appears to be a global situation. They indicate seeing increased acceptability to third world product.

QUARTER TURN VALVES – BALL AND WAFER

Pricing →↑ Some manufacturers predict no change in pricing this quarter. Other manufacturers are raising prices 3% – 5% due to raw material costs.

Lead Times – Lead times are 2 – 3 weeks on commodity items with fill rates running from 40% upwards to 80%.

Non-stock specials are shipping in 6 – 12 weeks.

Comments – The quarter turn valve market remains very competitive with continued pressure on commodities. Manufacturers say foreign competition is increasing from Mexico and India.

STEEL PIPE AND TUBE REVIEW

In an article in *Purchasing* magazine, Tom Stundza remarked that the annual purchased volume of steel pipe and tube has shown unexpected declines caused by the lack of growth in capital spending. There have been mergers, acquisitions, bankruptcy shutdowns, takeovers, supplier reorganizations and other ownership consolidations. The buyers still have not had to face supply woes because many of the mills that have been closed have found new owners or managers willing to reopen plants. The following chart shows the data developed by *Purchasing* from industry reports:

U. S. Steel Pipe and Tubing Market
(thousands of net tons)

Year	Mechanical	Structural Tube	Pressure Tube	Stainless Tube	Structural Pipe & Tube	Standard Pipe	OCTG Pipe	Line Pipe	Total
1993	4,068	1,300	87	155	315	1,702	1,497	1,210	10,334
1994	4,283	1,381	74	156	400	1,891	1,445	1,486	11,116
1995	4,356	1,506	85	206	405	2,052	1,314	1,462	11,386
1996	4,368	1,819	87	232	352	2,221	1,967	1,582	12,628
1997	4,857	2,132	78	257	222	2,163	2,383	1,802	13,894
1998	4,932	2,557	103	239	272	2,271	1,827	2,180	14,381
1999	4,439	2,743	72	229	256	1,999	1,344	2,093	13,175
2000	4,589	2,592	88	206	213	1,943	2,239	1,658	13,528
2001	3,841	2,362	92	192	180	1,919	2,407	2,411	13,404
2002	3,308	2,150	124	172	150	2,161	1,576	1,963	11,604



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