



Market Condition & Activity Bulletin

Piping & Equipment, Inc. – A Member of AD & supplyFORCE.com

July • August • September 2003

A TRIBUTE TO RONALD N. YEAKLE



As we conclude another U.S. Independence Day this 4th of July 2003, we are proud to have one of our own to pay tribute for his years of dedicated service to our country during World War II. In a recent article published in the Pensacola New Journal, Tony Giberson wrote, "As a prisoner of war, Yeakle learned about American resilience." With his bomber ready to explode more than four miles above Hungary, Ron Yeakle didn't have a chance to grab his oxygen bottle from the cockpit. With hope in his heart but scant oxygen to breathe, he dropped through the gaping bomb-bay doors and fell unconscious. The B-24 liberator pilot plummeted more than two miles, when, "by the Grace of God," he woke to the sight of furrowed fields rushing toward him. Having long since hit terminal velocity, he jerked his rip cord. "I thought I'd hit the ground," Yeakle recalled, placing his hands where the chute straps yanked him skyward. "It nearly tore me apart."

More than five decades after the February 1944 experience, the chairman and past President and Chief Executive Officer of Piping and Equipment, Inc. sits behind a model bomber prominently situated on top of his desk. The harrowing bailout, compelled by a German fighter ambush of his squadron as it bombed oil refineries outside Vienna, Austria, was to be one of his last free acts in the war for Europe, he recalled. It would be 11 months before General George Patton—standing atop a tank—liberated him and 30,000 other prisoners of war from a prison camp in Moosburg, Germany, less than four months before Adolf Hitler shot himself in his Berlin bunker. Within minutes of hitting the ground, Yeakle was captured by Hungarian troops and soon transferred to a Nazi interrogation center, where he was condemned to four months of solitary confinement for cheering on allied bombers through the bars of his cell in Budapest. He lost 35 pounds and the option to bathe during the 120-plus days. "I had a straw sack, a potty, and two bowls of potato soup a day. There was a small hole so I could see night and day. By the time I got out, I had lice and fleas. The bed bugs were really something, I pulled up my socks but they just worked my legs," he said with a grimace. Yeakle was 19 when he was transferred to Stulag Luft III in Germany, where he took part in events that inspired the Hollywood movie "The Great Escape."

In reality, despite endless tunneling and meticulous planning, no one who escaped survived. The 50 who tried while he was there were caught. Half were summarily shot. The detention camp experience taught him much about American resilience. "No other military people in the world has a sense of humor like the Americans—that's what kept us going," Yeakle said. "When I got to Stulag Luft III, they said OK Yeakle, we want to hear your story once, not 2,000 times, so get on with it." Ron Yeakle's family did not know if he was alive until the end of the war. We thank him and others like him who have put their life on the line for our freedom.

Ron Yeakle was born and raised in Baltimore, Maryland. He is a graduate of Georgia Tech. He and his wife, Dorothy "Dot Jane," were married in Atlanta, Georgia where he was attending college. Mr. Yeakle began his career with Manning, Maxwell and Moore selling gauges. Then he moved on to the Ladish Company selling valves. He moved to Pensacola, Florida in 1956 to work with Industrial Piping Supply. In 1969, he was a founder of Piping and Equipment, Inc., and he is still active on the Board of Directors. He is also on the Board of Directors of the West Florida Hospital, past Don Tristan DeLuna of the Fiesta of Five Flags in Pensacola Florida (1997), and actively involved with the First Methodist Church in Pensacola, Florida.

STAINLESS STEEL PIPE

Pricing → Domestic stainless steel pipe manufacturers are predicting no change in pricing this quarter following a 3% to 5% industry wide increase during the second quarter of 2003.

Lead Times – Commodity items not in stock are shipping in 6 to 12 weeks. The fill rates are running 70% to 80%. Non-stock specials are quoted for 16 to 20 week delivery.

Comments – One manufacturer comments that export stainless steel pipe project activity is increasing due to the weak dollar. Stainless steel surcharges are quoted as follows:

Month	304/L	316/L
January 2002	0.033	0.041
April 2002	0.079	0.098
July 2002	0.114	0.150
October 2002	0.126	0.194
January 2003	0.158	0.197
April 2003	0.233	0.315
July 2003	0.231	0.350
August 2003	0.269	0.399

Surcharges should decrease some in September 2003. One manufacturer indicates that demand is still soft, but they are seeing a gradual improvement.

STAINLESS STEEL WELD FITTINGS

Pricing → Manufacturers predict that domestic prices will stay firm through the third quarter of 2003.

Lead Times – Deliveries are holding at 2 – 3 weeks for commodity items not in stock. Fill rates are also holding at 80% – 90%. Lead time for non-stock specialty items are 4 – 6 weeks.

Comments – Surcharges continue to climb. One manufacturer notes that the recent strike at Inco's Nickel

Mine will make the next 2 – 3 months very volatile with regard to Nickel pricing. Manufacturers indicate that imports continue to increase with more China product being accepted. Manufacturers continue to concentrate on non-commodity product to fill available shop capacity. Manufacturers comment on their concern over more manufacturers filing for Chapter 11 and distributors closing branches.

STAINLESS 150 AND HI-PRESSURE FITTINGS

Pricing → Manufacturers indicate no change in pricing this third quarter. This follows a 3% to 5% industry wide increase during the second quarter of 2003. The second quarter increase was desperately needed due to increasing raw material and labor costs.

Lead Times – Fill rates are 70% – 90% with lead times of 2 – 3 weeks for commodity items not in stock. Lead times

on special forgings are 2 – 4 weeks.

Comments – Manufacturers indicate that we could possibly see another increase in pricing during the fourth quarter if projects become more active. One manufacturer comments that raw material costs are higher than a year ago, but they have been flat the past three months.

STAINLESS STEEL FLANGES

Pricing → Manufacturers are predicting no change in pricing this quarter. Last quarter closed with a 5% – 7% increase due to raw material costs.

Lead Times – Lead times remain at 2 – 4 weeks with fill rates of 60 – 80%. Non-stock specials are shipping in

4 to 10 weeks.

Comments – Manufacturers comment that foreign competition is increasing from Mexico, Italy, and India. They indicate a 35% – 40% difference in domestic versus foreign material.

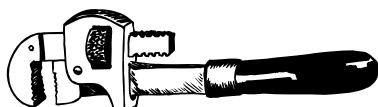
CARBON STEEL PIPE (CONTINUOUS WELD, ERW & SEAMLESS)

Pricing → Manufacturers are not anticipating a price change this quarter for carbon steel pipe.

Lead Times – Commodity items are shipping from stock with fill rates of 70% to 90%. The forecast for commodity

items not in stock is 3 – 6 weeks. Non stock specials are forecast for 2 – 4 weeks.

Comments – Manufacturers comment that the market continues to be very slow.



Labor Day
Monday, September 1st

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 → The carbon steel weld fitting and flange manufacturers are predicting no change for the quarter.

Lead Time – Deliveries for commodity items and 1 – 2 weeks with fill rates of 90% – 100%. Non-stock specials are shipping in 3 – 4 weeks.

Comments – Manufacturers continue to see increasing imports from Mexico, Thailand, Viet Nam, Korea, and Europe. One manufacturer notes the rising cost of natural gas could increase manufacturing costs and eventually will show up in a price increase.

FORGED STEEL FITTINGS

Pricing → Manufacturers are forecasting no change in pricing this quarter.

Lead Times – 90% to 100% of commodity items are shipping from manufacturer's stock. Lead times for commodity items not in stock is forecast for 1 to 2 weeks.

Non-stock specialty items are forecast for 2 – 3 weeks.

Comments – Foreign competition is strong. On June 19, 2003 the Department of Commerce made a determination that additional import duties would be imposed on certain malleable iron pipe fittings from China.

STAINLESS GATES, GLOBES, CHECKS

Pricing → The manufacturers of stainless gates, globes and checks are not predicting any price change during the third quarter.

Lead Times – Commodity item fill rates are 60% – 80%

with lead times forecast for 6 – 12 weeks. Non stock specialty items are forecast for 8 – 12 weeks.

Comments – Manufacturers comment that foreign competition remains constant from Korea and China.

BRONZE AND IRON GATES, GLOBES, CHECKS

Pricing → Manufacturers are saying no change in bronze and iron pricing during this 3rd quarter. This follows a 2nd quarter increase of 3% – 5% on bronze.

Lead Times – Commodity item fill rates are 70% – 90% with delivery times of 4 – 6 weeks for items not in stock.

Non-stock special items are running 8 – 16 weeks.

Comments – One manufacturer notes that they are increasing their inventory levels of large O.D. iron valves because they are becoming more popular with end users. Ingot prices for bronze continues to slowly rise.

CAST STEEL GATES, GLOBES, CHECKS

Pricing → Manufacturers comment that the third quarter will see no change in cast steel valve pricing.

Lead Times – Fill rates are 70% to 80% for commodity cast steel with forecast deliveries of 6 – 8 weeks for items not currently in stock. Non stock specials are forecast for

8 – 12 week deliveries; however, one manufacturer continues to grow their inventory of "specials."

Comments – Competition from China continues to increase.

FORGED STEEL GATES, GLOBES, CHECKS

Pricing ↑ Some manufacturers predict an increase of 3% to 5% on forged steel valves while other say no change.

Lead Times – Fill rate are 70% – 90% on commodity forged steel valves with delivery times of 6 – 8 weeks for

material not in stock. Non-stock specials are forecast for 12 – 16 week delivery from factory.

Comments – Foreign competition from third world countries is increasing.

QUARTER TURN VALVES – BALL AND WAFER

Pricing ↓ Manufacturers predict a 1% – 2 1/2% decline in pricing on quarter product. There is a constant pressure on pricing notes one manufacturer. The pricing move is being pushed by supply and capacity; however, it will probably not stick due to different sectors responding differently.

Lead Times – Fill rates are running 50% – 60% with

deliveries of 2 – 3 weeks for commodity items not in stock. Non-stock specials are running 8 – 12 weeks.

Comments – With little change in the overall business climate, the pressure on pricing from low cost imports remains on the commodity side. There is less pressure on the automated products where some value added selling is done.

GLOBAL STEEL UPDATE

The American Iron and Steel Institute (AISI) reported that the United States imported a total of 1,873,000 net tons of steel in May, which is up 2.9% from April. The total includes 1,471,000 net tons of finished steel (down 1.6%). For the year-to-date in 2003, total finished steel imports are 10,138,000 and 8,080,000 net tons— down 16.3% and 8.3%, respectively, compared to the same period last year. These figures are based on preliminary Census Bureau data released on June 25, 2003.

Products that had large increases in May compared to April include:

- Structural shapes 3" and over up 61%
- Hot rolled bars up 22%
- Semifinished steel up 24%
- Line pipe up 39%
- Electrical sheet and strip up 19%
- Tin plate up 35%
- Hot rolled strip up 17%

According to independent, publicly available sources, while the current price of steel in the U.S. remains modestly above the unsustainable levels that existed in late 2001, the price of steel in most major foreign markets has risen far more than it has in this country since the President imposed his steel tariffs. Steel prices in the United States today continue to be among the lowest in the world. Average U.S. spot prices for hot and cold rolled sheet declined again from the depressed levels of April— despite higher costs producers are paying for natural gas, scrap and other inputs. Monthly price for hot rolled sheet have declined to \$260, down 35% from a peak of \$400 in July 2002. Monthly spot price for cold rolled sheet declined to \$380, down from a peak of \$525 in July— August 2002.

The May data confirm the points made by the domestic steel industry at the ITC Section 332 hearings that America's steel industry is engaged in an historic restructuring, and we have been able to maintain our critical pro-customer investment programs, thanks to the President's remedy, which has stabilized the domestic steel market. At the same time, our nation's steel-consuming industries and U.S. consumers are not being hurt. Against the background of soft demand, a weaker U.S. dollar, robust levels of steel imports, higher domestic steel production and declining U.S. steel prices (which remain below what consumers in other major markets are paying for their steel)— any claim that U.S. consumers have been harmed by the 201 are directly refuted by the facts, according to Daniel R. DiMicco, Vice Chairman, President and CEO of Nucor Corp. and Chairman of AISI.

Andrew G. Sharkey III, AISI president and CEO, added that, "Because foreign excess and inefficient steel capacity remains a significant problem and a number of major steel industries offshore are continuing their plans for massive steel capacity increases, with government support, it is essential that the President hold firm on his 3-part, 3-year Steel Program. It is working, but the job at home and abroad is clearly not yet done."

The world crude steel production for the 63 countries reporting to the International Iron and Steel Institute set an all-time record in May at 80.7 million metric tons. Global production increased by 7% as compared to May last year and 8.6% YTD. Output in China increased by 20.9% over May of 2002 and by 20.2% or 14.2 million metric tons during the first five months of 2003. These latest figures show that Chinese production accounts for 22.8% of global steel production for the month of May.



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