



## NEW CALEDONIA NICKEL PROJECT UNDER ATTACK

According to the Dow Jones Newswires, activists attacked the New Caledonia Nickel Project Friday, April 7<sup>th</sup> adding significantly to an estimated (US)\$10 million damage bill from another incident the prior weekend. The Canadian mining giant Inco is facing growing opposition from all sides in New Caledonia, including from local elected officials in the development of the Goro Nickel Project. Civil society groups including the indigenous Kanak representative (Senators and members of the Rheebeu Nuu Committee) are calling upon Inco to halt its campaign to secure exemptions from environmental regulations and existing New Caledonian labour and environmental standards in the development of the Goro Nickel mine in Kanaky New Caledonia, and to address the increasing number of environmental, social and economic problems that have been exposed in the companies mining planned operations.

High commission meetings with Goro officials and community, political and union leaders were being held by the French high commission in the capital Noumea. It was not clear whether representative of the Rheebeu Nuu indigenous group, reportedly behind the attacks, participated in the meetings on Friday. New Caledonian officials have also linked the attacks to royalty demands by indigenous leaders. The Rheebeu Nuu Committee are opposed to the marine effluent pipeline and ocean outfall; opposed to the destruction of our marine and terrestrial eco-systems; and opposed to the accumulating of atmospheric pollution that go far beyond the acceptable standards.

The Rheebeu Nuu Committee is a Kanak organization established as a local monitoring body over Inco's Goro project to protect the fundamental freedoms and newly recognized rights of the indigenous Kanak people from violations as a result of the Goro mine project. While the Rheebeu Nuu Committee was established in 2001, its organizational roots go back to 1991 when the Kanak population of Yate protested the re-designation of the boundaries between their municipality and the French-settlers-controlled municipality of Mont-Dore. The Prony and the Port-Boise areas, which are rich in nickel deposits were taken out of Yate's jurisdiction and were added to Mont-Dore's. Additionally, many of the leaders of the Rheebeu Nu Committee were active in the Kanak struggles for independence of the 1980s and 1990s.

According to the Mineral Policy Institute of Sydney, Australia, authorities of the Southern Province granted a second huge nickel concession to Inco the Prony deposit next to the Goro concession without any remuneration from Inco. This second concession increases Inco's potential production from 54,000 tons of nickel at Goro to 180,000 tons of nickel per year. With its Goro and Prony concessions, Inco holds one of the largest nickel reserves in the world with the potential for one hundred years of exploitation.

The mine, located at the southern tip of New Caledonia's main island Grand Terre, is designed to product 60,000 tons of nickel. Inco controls 69% of Goro, while three New Caledonia provinces hold 10% and Japan's Sumitomo Metal Mining Co. Ltd. and Mitsui Co. Ltd. own the remaining 21%.

"This morning we had 1.5 kilometers of water pipe burnt near the site," a spokeswoman for the company's local subsidiary Goro Nickel told the Dow Jones Newswires. Even if participants in the above noted meetings

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## STAINLESS STEEL PIPE

Pricing ↑ Stainless Steel pipe manufacturers all indicate industry price increases of approximately 10% by several manufacturers. One welded pipe manufacturer indicates pipe increases of 3% - 5% and stainless coil and plate increases of 8% - 10%. Price increases are due to rising raw materials, manufacturing, and transportation costs. NAS has reduced the amount of hot rolled coil they are selling by over 50%, and this is creating a shortage of that product. They have also raised the prices of hot-rolled and cold-rolled coil and hot-rolled plate. The alloy surcharges for stainless pipe are as follows:

Stainless	Jan-06	Feb-06	Mar-06	Apr-06	May-06
304/304L	0.599	0.673	0.693	0.717	0.707
316/316L	1.508	1.477	1.481	1.444	1.436

Lead Times – Commodity stainless pipe is shipping with 40% - 70% fill rates. Commodity pipe not in stock is being reported to have lead times of 12-16 weeks. Non-stock specialty stainless is scheduled for delivery in 20 weeks or more.

Comments – Imports from China are increasing according to manufacturers. Large diameter pipe will continue to have long lead times due to industry demand. Plate mills are booking up rapidly. Many large projects in refinery, pollution control, and energy are filling mills to capacity. There may be spot shortages in some product lines thru the rest of 2006, as mills are booking large project business. It will be difficult to replace many of the items as domestic capacity is reduced, and import product has long

## STAINLESS STEEL WELD FITTINGS, 150 # & HI-PRESSURE FITTINGS

Pricing ↑ One manufacturer indicates no price change at this time, while others are projecting increases of 5% - 7 ½% due to raw material costs. Fittings have to respond to pipe increases. According to one manufacturer, domestic mills have just gone on a pricing rampage over the last 3-4 weeks.

Lead Times – Fill rates are strong as reported 80% - 90% by one manufacturer and 60% - 70% by others. The forecast lead times are 4 - 6 weeks. The forecast lead times for non-stock specials are 8 - 16 weeks.

Comments – Foreign competition is seen as increasing from China, Korea, Malaysia, India, and the Philippines. The U. S. government seems unwilling to support any dumping

suits. Nickel is on the rise, while molybdenum is currently difficult to project. One manufacturer reports that activity remains moderate with commodity and project business. Special alloys and “fast turnaround” orders are driving business and should continue through the 3<sup>rd</sup> quarter of 2006. One manufacturer notes that they have experienced very significant, double-digit increases to their pipe costs since the beginning of the year. They comment that it is difficult to ascertain if the increases are all related to material changes or if demand pick-up is responsible for a portion of the increases.

## STAINLESS STEEL FLANGES

Pricing → Flange manufacturers indicate no change this quarter.

Lead Times – Deliveries are forecast for 6 - 8 weeks for commodity flanges with fill rates running 30% - 40%.

Comments – Flange manufacturers indicate they forecast the 2<sup>nd</sup> quarter of 2006 to remain stable, but the 3<sup>rd</sup> quarter will likely bring increases.

## CARBON STEEL PIPE - ERW AND CONTINUOUS WELD

Pricing ↑ - U. S. Steel Tubular Products announced a \$50/nt increase in standard and line pipe at the end of February 2006. Manufacturers indicate price increases of 3% - 5% due to raw material costs, supply and capacity.

Lead Times – With fill rates of 60% - 80%, delivery lead times are forecast for 6 - 8 weeks.

Comments – President Bush's recent refusal to impose

quotas on standard steel pipe from China has not set well with U.S. pipe mills, or with their association, the American Iron and Steel Institute. Adding insult to injury, the Chinese Ministry of Commerce issued a statement expressing strong satisfaction with the White House decision, which was characterized as gratuitous and taunting by U. S. Observers.

*In a recent article from the editor, Tim Triplett (Editor-in-Chief) of Metal Center News notes that China is not necessarily the evil you imagine. Triplett comments, “labor represents only 9% of the cost of each ton produced in China, vs. 13% for a mini-mill and 26% for an integrated mill in the United States. But the Chinese must import most of the iron ore, coke and scrap that go into each melt, pushing their cost of raw materials up to 75% of each ton. In comparison, U.S. mini-mills also highly dependent on scrap have a 70% raw material cost. Integrated mills have the raw material advantage at about 55%.” He went on to say that China’s labor advantage is more than offset by its raw material disadvantage, even before adding the cost of shipping. Roy Platz, director of marketing for Mittal Steel USA, remarked that a recent World Bank study measuring demand for automobiles in China today is about 24 vehicles per 1,000 people; however, by 2015, if its economy grows as projected, it will add another 100 vehicles per 1,000. The same applies to other steel consumer durables. Triplett went on to say, “thus, the questions for the future is not whether China will be a predatory exporter, but rather it can possibly produce enough steel to meet the long-term needs of its enormous population. No doubt, China’s willingness to manipulate its currency and violate U. S. antidumping laws makes the Asian giant a trade menace today. But viewed on a longer timeline, the next generation of steel industry executives may see China as the land of opportunity.”*

## CARBON STEEL WELD FITTINGS AND FLANGES

**Pricing** ↑ Manufacturers indicate pricing will increase from 5% - 10% due to raw material, fuel and energy costs.  
**Lead Times** – The forecast lead times are 2 - 3 weeks with fill rates of 80% - 90%.  
**Comments** – The European pressure remains soft, but the Asian pressure from Taiwan has grown during the second

half of 2005. It remains at those higher levels today. They continue to penetrate markets where AML approval is not required. The Asian material is not on the oil/refinery AML's. Carbon steel billets for flanges are increasing due to world demand, energy costs and the cost of fuel for delivery.

## FORGED STEEL FITTINGS

**Pricing** ↑ Forged steel fitting manufacturers indicate price increases of approximately 5%. The increase is industry wide with all manufacturers subject to the escalating costs of forgings.  
**Lead Times** - Fill rates for forged steel fittings are 80% - 90%. Deliveries are forecast for 2 - 3 weeks. Deliveries have

improved due to the availability of pipe, plate and raw forgings.

**Comments** – The Taiwanese forged steel fittings market is introducing their second forged steel increase of 2006. They experienced a 4 ½% increase in January followed by a 9% increase at the end of March.

## STAINLESS STEEL GATES, GLOBES AND CHECK VALVES

**Pricing** → Pricing on stainless steel valves is forecast to remain stable through the 2<sup>nd</sup> quarter of 2006. This follows an increase of 5% - 10% during the 1<sup>st</sup> quarter of 2006 due to raw material costs, demand, competition, and transportation costs.

**Lead Times** Forecast lead times are 6 - 8 weeks with fill rates of 60% - 80%.

**Comments** Manufacturers indicate an upward trend in stainless steel valve business. They indicate an aggressive inventory and manufacturing schedules.

## BRONZE AND IRON GATES, GLOBES AND CHECK VALVES

**Pricing** ↑ Bronze manufacturers forecast price increase of 3% - 7 ½% due to dramatically increasing raw material costs in bronze materials. Iron valves are predicted to remain stable during the 2<sup>nd</sup> quarter of 2006.  
**Lead Times** Forecast lead times are 3 - 6 weeks with fill

rates of 70% - 80%.

**Comments** Bronze ingot costs are forecast to continue to steadily increase. Bronze ingot has increased 180% in the past twelve months, and has increased 150% in the past three months.

## CAST STEEL GATES, GLOBES AND CHECK VALVES

**Pricing** ↑ Cast steel valve manufacturers are forecasting price increases of 3% - 5 ½% due to raw material costs and currency exchange rates.  
**Lead Times** Delivery times are running 6- 8 weeks with fill rates of 70% - 80%. Non-stock specials are running 16 - 20 weeks depending on the materials.

**Comments** One manufacturer indicates consumers should watch out for non-approved casting facilities. Another manufacturer comments that supply is available, but as more of the global "mega" projects are released, there will be an effect on the industry.

## FORGED STEEL GATES, GLOBES AND CHECK VALVES

**Pricing** → Manufacturers of forged steel valves are not forecast price changes during the 2<sup>nd</sup> quarter of 2006.  
**Lead Times** - Forecast lead times are 3 - 4 weeks with fill rates of 70% - 80% on commodity valves. Non-stock

specials are forecast for 16- 20 weeks.

**Comments** Forged steel valve business is projected to increase significantly over 2005.

## QUARTER TURN VALVES - BALL AND WAFER

**Pricing** → Quarter turn ball and wafer valve manufacturers indicate no price changes for the 2<sup>nd</sup> quarter of 2006 following increases posted at the beginning of the first quarter.  
**Lead Times** Fill rates are running 20% with lead times

forecast for 4- 6 weeks. Non-stock specials are forecast for 12 - 16 week deliveries.

**Comments** Manufacturers lead times are running longer. China is a major channel for ball valves.

*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.*

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find a solution to security problems, the spokes person from outside the meetings states that it will take some time to replace machinery and equipment before the project's 1,600 person staff can return to work. Australia's foreign affairs department issued a statement Friday, April 7<sup>th</sup> advising its citizens to be alert in New Caledonia. "Industrial relations disputes have the potential to create localized tensions and disruptions," the department said.

The Inco (US)\$2 billion dollar project remains on hold, with many employees, transferred off the island until tensions ease. The shutdown could have an effect on the first scheduled shipments of nickel, planned for late 2007, and this potential disruption has sent a jittery market to near record highs. These current interruptions have spurred investor sentiment in nickel markets, helping drive London Metal Exchange prices to their highest levels since October 2004.

The LME benchmark futures contract climbed to \$17,000 a ton after news of the arson attack emerged. There is some speculation that the major investments have taken money out of the volatile oil markets and invested into metals. MEPS (International) Ltd., a leading independent supplier of steel market information, released estimates of 2005 stainless steel productions with estimates for 2006. For 2005, worldwide production fell 1.2% from 2004 to 24.3 million tons. Most of the world lagged behind, while both China and India saw hefty increases. MEPS predicts that this trend will continue, with China leading the way, and 2006 estimates are for a worldwide increase of 7% to 26 million tons. The International Stainless Steel Forum announced that world stainless crude steel production declined by 1% in 2005, for the first decline since 2001.

Nickel	4/11/2006	4/10/2006	4/7/2006	4/6/2006	4/5/2006	4/4/2006	4/3/2006	3/31/2006	3/30/2006	2005 Avg
Inventory / tons	29,430	30,414	31,170	31,668	31,782	32,100	32,568	32,826	32,604	
Price per/lb.	\$8.04	\$7.91	\$7.65	\$7.70	\$7.60	\$7.20	\$7.26	\$6.89	\$7.01	\$6.69

BHP Billiton has advised that its (US)\$1.34 billion Ravensthorpe nickel development in Western Australia is approximately 40% complete, with the project due to produce its first nickel in the second quarter of 2007. It is also warning the project may suffer another cost hike later this year, with rising labor and materials costs. Allegheny Ludlum announced prices increase on stainless steel sheet and strip, both cold and hot rolled effective May 1<sup>st</sup>. The nickel prices noted on the chart above are not good news for stainless steel users hoping prices would fall anytime soon.

Nickel	Avg Annual Price	
2005	\$6.69	per lb.
2004	\$6.28	per lb.
2003	\$4.37	per lb.
2002	\$3.07	per lb.
2001	\$2.70	per lb.

Nickel has a unique combination of properties, which make it useful in a great variety of applications in fields as diverse as aerospace, military, construction and consumer products. It has among other things a high melting point, high resistance to corrosion and oxidation, excellent heat resistance properties and a good alloying ability with many other metals. Stainless steel production is the most important consumer of all the primary

nickel that is produced each year with a market share of approximately 65%. Other steel and non-ferrous alloys production uses about 20%, about 9% is applied to plating and 6% in other uses including chemical applications.

Information for this article from DOW JONES Newswire by James Attwood (edited by Ian Pemberton); minesandcommunities.org; Mineral Policy Institutes / MiningWatch Canada Media Advisory; Greendown.com; and Stainless Steel & Metals News (chrisanddavid.com).



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