



# Market Condition & Activity Bulletin

PIPING & EQUIPMENT, INC. - Affiliated Distributors Member

July August September 2007

## FAIRMONT SUPPLY COMPANY ACQUIRES P&E

Effective July 2, 2007 Fairmont Supply Company has acquired the outstanding stock of Piping & Equipment, Inc. As a wholly owned subsidiary of Fairmont Supply, the current management team, employees, and locations of Piping and Equipment will continue to operate under the "P&E" name.

"Piping & Equipment is looking forward to continued years of outstanding service to our current customer base, while exploring new opportunities in new markets and geographic areas," stated Gary J. Cartright, who will remain as President of "P&E". Jerry P. McKeller will remain as Vice President of Sales. P&E expects to maintain and grow their strong relationships with their current manufacturers and suppliers.

### A MESSAGE FROM FAIRMONT SUPPLY COMPANY

Fairmont Supply Company is pleased and equally excited to announce the acquisition of Piping and Equipment, Inc. which took place on July 2, 2007.

Since our inception over 85 years ago, Fairmont Supply Company has taken pride in delivering the highest quality and best value to our customers. This philosophy has helped us grow into an industry leader, distributing a wide range of industrial products to a nationwide customer base. We are committed to providing value that continues beyond the sale.

#### **Who We Are**

As a leading distributor of MRO (maintenance, repair, and operating supplies) since 1921, we provide a full line of products to a variety of customers from many industrial markets. The needs of our valued customers are serviced from 15 strategically located customer service centers throughout the United States.

See our website: [www.fairmontsupply.com](http://www.fairmontsupply.com) for complete information on all of our locations.

Our broad product offering from 8 key product areas provide our customers an extensive selection in:

Safety	Material Handling & Processing
General Industrial	Bearings and Power Transmission
Electrical	Industrial Rubber
Pipe, Valves & Fittings	Mining

**Industry Expertise** is the cornerstone of our company's success. We work in close partnership with our key suppliers to maintain our product knowledge and to stay informed of new trends in the marketplace. This provides us with a strategic advantage so that we may offer comprehensive solutions to our customer's application needs.

**Superior Service** includes a well-informed outside sales staff, a technical support team that meets regularly with customers, on-site service meetings to discuss cost-savings opportunities, and a knowledgeable inside sales staff. Comprehensive programs of product training and on-site seminars are also provided to meet the application needs of our customers.

**Innovative Supply Chain Solutions** are tailored to meet the specific needs of each customer. Capabilities include integrated supply, on-site storeroom management, vendor management inventory programs (VMI), vending machine distribution systems, and project procurement services.

**Eye on the Future** includes the acquisition of Piping and Equipment, Inc. Our companies follow similar philosophies with regards to Industry Expertise, Long Term Relationships, and Superior Service, to name a few. In addition, Fairmont Supply Company and Piping and Equipment, Inc. are proud members of Affiliated Distributors marketing network.

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## STAINLESS STEEL PIPE

**Pricing** ↓ Manufacturers indicate that stainless steel pipe is down 8% - 10% due to supply, capacity, demand and raw material costs. Nickel continues to drop slowly.

**Lead Times** – Fill rates are running at 40% - 50% with lead times forecast for 12-16 weeks. Projects were still buying for summer shutdowns, but that has now slowed down.

**Comments** – Mills are starting to build inventory. They are not as busy with buyers trying to hold off until surcharges settle down.

Manufacturers believe that many projects will re-surface as the surcharges moderate in this 3rd quarter. China imports were up 15% in the first quarter of this year noted one manufacturer. Raw material costs continue to bounce around, but hedge funds are now limited in how they can affect futures on the LME. During June nickel prices on the LME fell from \$50,000 to about \$38,000 triggered by a rules change which affected major holders of nickel contracts on the LME.

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

**Pricing** → ↓ Manufacturers of stainless weld fittings forecast no change for the third quarter of 2007. Manufacturers of stainless pressure fittings indicate a 3% - 5% drop on pressure fittings during the third quarter of 2007. Several manufacturers indicate that due to the slow down in the market and a continual build up of inventories, manufacturers may drop their prices on particular inquiries and bills of material. Other manufacturers indicate that prices will remain firm through the third quarter. Significant increases were passed along to distributors in the 2nd quarter.

**Lead Times** – With fill rates of 60% to 90%, lead times for standard material not in stock is forecast for 4 – 8 weeks. Large OD material is forecast for 8 – 12 weeks. Non stock specials are forecast by all manufacturers for 8 – 20 weeks or more.

**Comments** – Manufacturers indicate they expect demand to be

average for July and August with improvement showing up in September once the vacation season ends. On July 16th, nickel closed at \$14.47 / lb. (3 month buyer at \$14.52 / lb.) which is lower than 1/1/07. This is the first time in a long time that “official” prices reflect market contango conditions (when cash price is lower than the 3 month price). The recent fall is due to an increase in nickel inventories on the LME and new trading practices on the Exchange. One manufacturer notes that we may not see nickel increases again. One manufacturer says business continues to be very active even on heavier walls and larger OD sizes. Commodity continues to be very spotty with more pick-up business than stock business. Projects are more active than in previous years. Special alloys continue to grow with more efforts to keep them in stock.

## STAINLESS STEEL FLANGES

**Pricing** → Pricing for stainless steel flanges is not forecast to change thru the 3rd quarter of 2007.

**Lead Times** – Lead time are running 4 - 6 weeks with fill rates remaining at 30% - 40% for commodity material. Non-stock specials are running 16-20 or more weeks.

**Comments** - Nickel is hovering around the low \$30,000s per metric ton. North American use of stainless steel remains erratic: After increasing a robust 21% in 2006, consumption is on pace to decline by 7 – 10% in 2007. Overall demand has been strong from the chemical process industry, oil and gas markets, makers of electrical energy equipment, aerospace and defense industries. However, demand for benchmark stainless sheet commodity products for appliances, motor vehicles and other consumer

goods have been lower primarily because of U.S. service centers and their customers reducing inventories and remaining cautious due to increasing nickel surcharges. The CEO of Allegheny Technologies in Pittsburgh, L. Patrick Hassey, notes that their customers “are being cautious with their inventory levels for nickel-based alloys and super-alloys due to the unusually high cost of nickel.” On July 17th it was reported in Bloomberg.com that steel mills have been relying on existing stockpiles rather than buying nickel which is the reason for the recent drop in nickel pricing. Michael Widmer, head of metals research at Calyon, citing data from the International Nickel Study Group, thinks that nickel may recover once users start to replenish their inventories probably towards the end of this year.

## CARBON STEEL PIPE - SEAMLESS, ERW AND CONTINUOUS WELD

**Pricing** → Manufacturers comment that carbon steel pipe seamless, ERW, and continuous weld will remain stable thru the 3rd quarter.

**Lead Times** – Commodity carbon steel pipe is forecast 8-12 week lead times and fill rates of 60%-80%. Non-stock specials are forecast for 8-12 weeks.

**Comments** – The ASA Materials Market Digest editor, Edwin Scott noted that imports of flat-rolled and other steel products have slowed to a crawl as a result of falling prices on hot and cold-

rolled sheet and other products of U.S. steel mills. China announced its long-delayed restructuring of export taxes and the rebates thereon. Rebates on numerous steel products were cut from 13% to 5% or eliminated completely. One noticeable omission was standard steel pipe where exporters will get givebacks of 13% of the export tax levied. Chinese steel sources have little trouble boosting their standard pipe shipments over the past years with this cash subsidy. Standard pipe shipments have gone from 10,000 tons in 2002 to 690,000 tons in 2006.

## CARBON STEEL WELD FITTINGS AND FLANGES

**Pricing** → Pricing is expected to remain unchanged through the third quarter on carbon steel weld fittings and flanges. The pricing of seamless pipe remains stable, but showing some signs of weakening.

**Lead Times** – The forecast lead times remain at 2-3 weeks with fill rates of 80% - 90%. Non-stock specials are forecast for 6 – 8 weeks.

**Comments** – Manufacturers state that energy costs continue to affect the costs of logistics, production costs and the availability of energy during peak demand hours. Offshore products continue to pour into the US Market exerting downward pressure on pricing of commodity carbon steel welding fittings.

## FORGED STEEL FITTINGS

**Pricing** → Pricing is not expected to change during the third quarter of 2007 for forged steel fittings.

**Lead Times** – Lead times are running 2 – 3 weeks for commodity forged steel fittings with fill rates of 80% - 90%.

**Comments** – Manufacturers state that demand remains high with the energy business segment leading the way for forged steel fittings. Upstream business is strong with the North American rig count at 2038 for July 10th. Mid stream and down stream business continues brisk with many new and ongoing refinery projects. Forecasts reflect continued and

consistent demand for the balance of 2007. Scrap prices continue to relent from their \$365 a ton March high to approximately \$275. United States steel production is currently at 87% capacity in an effort to keep current pricing levels. Mexico demand is soft resulting in increased exports to the US. The China currency revaluation continues as a hot topic in the US Congress. This may lead to increased pressure and potential trade sanctions. Manufacturers note that Taiwanese material has infiltrated the “industrial” markets through numerous master distributors. Their market share is growing versus the first quarter of '07.

## STAINLESS STEEL GATES, GLOBES, CHECK VALVES

**Pricing** ↑ Stainless steel valve manufacturers are forecasting an increase of 10% or more due to raw material costs.

**Lead Times** – Fill rates remain at 60% - 70% with lead times of 6 – 12

weeks. Non stock specials are forecast for 16 - 20 week deliveries.

**Comments** – The U.S. Department of Labor / Bureau of Labor Statistics report on gates, globes and checks shows the following for 2006 – 2007:

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2006	148.7	152.8	152.5	153.5	154.6	159.2	160.1	160.8	162.1	164.8	164.6	164.2	158.2
2007	166.8	169.0	168.8	169.4	171.4	172.8							

Note: All indexes are subject to revision four months after original publication (Mar – Jun 2007).

## BRONZE AND IRON GATES, GLOBES AND CHECK VALVES

**Pricing** → Bronze and iron manufacturers forecast no price change thru the third quarter of 2007.

**Lead Times** – Fill rate for bronze valves is 70% - 80% and 80% - 90% for iron valves. The lead times for commodity material are 3 - 4 weeks for bronze and 6 – 8 weeks for iron valves. Non-stock specials are 6 – 12 weeks for bronze and 8 – 16 weeks for iron valves.

**Comments** – Bronze is an alloy of copper and tin. Much of copper's

price and availability is geared to labor conditions in the major copper-producing venues. Labor disputes at Xstrata's big copper refinery in Montreal, two Peruvian mines and a smelter were hit by a brief walkout, and another labor dispute arose at various Codelco mines in Chile. Copper close on July 19th at \$8,000 / ton which was up from \$7,510 for the 15th of June.

## CAST STEEL GATES, GLOBE AND CHECK VALVES

**Pricing** → Manufacturers indicate no change for cast steel valves during the third quarter of 2007. Carbon is currently stable.

**Lead Times** – The forecast for lead times is 4 – 8 weeks with fill rates of 80% - 90%. Non-stock specials are shipping in 12 – 16 weeks.

**Comments** - One manufacturer comments on the increasing competition of foreign valves noting that the industry is going to see problems with counterfeit product.

## FORGED STEEL GATES, GLOBES AND CHECK VALVES

**Pricing** ↑ Forged steel valve manufacturers indicate a price increase of 5% - 10% in the third quarter of 2007. One manufacturer posted a new price sheet effective July 1st, 2007 with existing quotations honored through the stated validity periods to be accepted through July 31st.

**Lead Times** – Fill rates are running 80% - 90%. Lead times are forecast

for 4 – 6 weeks. Non-stock specials are running 12-16 weeks.

**Comments** – Manufacturers comment that nickel prices declined in the 2nd quarter. Further decreases are expected in the 2nd half due to increased supply. Most analysts predict a slow drifting of Molybdenum prices around \$25-\$26 pound.

## QUARTER TURN VALVES - BALL AND WAFER

**Pricing** ↑ Manufacturers indicate no change for ball and wafer valve, except marginally on specialty material due to surcharges on certain metals.

**Lead Times** – Fill rates are running 70% - 90%. Non-stock specials are forecast for 10 – 20 weeks depending on material. High manufacturing

backlogs have not allowed for delivery improvements.

**Comments** – One manufacturer notes that the market has softened since April. Another manufacturer comments that they are still playing catch up with high demand from the 1st quarter of 2007. Foreign competition is increasing from China and Italy, India, and Asia.

This report is published as a service to the PVF Industry indicating the direction of prices, lead times, and market conditions reported by various domestic and import manufacturers as they believe the direction the market is heading each quarter.

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Rich Layton, President of Fairmont Supply stated, "This acquisition supports our long term business plan to strategically grow within key markets throughout the United States. Piping & Equipment, Inc. provides their customers with an excellent product offering and a high level of service from an experienced sales group. We look forward to combining our efforts to develop additional business in this market."

Look for updates regarding future news from Fairmont Supply Company!  
 Additional information can be found at: [www.fairmontsupply.com](http://www.fairmontsupply.com)



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The information contained herein is that gathered from major USA manufacturers and not necessarily the opinion of Piping & Equipment, Inc.