



Stainless Steel Market News

Tubular Goods comments from Edwin Scott, Jr. in the ASA Materials Market Digest of July 8, 2008 are as follows: “Throughout June, oil and gas drilling in the U.S. maintained its blistering pace and indeed accelerated it a bit. Perhaps motivated by the thought of \$135 crude, drillers kept rigs turning at a near-record rate. As might be expected with the current pace of drilling, prices of oil country tubular goods continue to escalate. According to the consulting firm Pipe Logix, Inc., an affiliate of Spears & Associates, the average price per ton of OCTG in June was \$2,563, a 25.6% increase from May and 80% above the level last December. In specific product categories, the May-to-June gains were 30.9% for ERW items and 21% for seamless.” Figures for representative products are shown in the table below:

Product	May 2008 \$/Ton	June 2008 \$/Ton	% Change
Carbon ERW	\$1,837	\$2,405	+30.9%
Carbon Seamless	\$2,012	\$2,640	+31.1%

On May 25th, Alan Lipp of Merit Brass made the following comments: “The major cause of the recent big correction in primary nickel prices is the continued surplus. Basic infrastructures for the China Olympics were all completed by the end of last year. Chinese steel factories have reduced export volumes due to the weak US economy. Real estate volumes and prices in China's big cities have also dropped since the end of last year, which has contributed to the demand drop of all steel commodities. The big question is: will increasing chromium prices, increasing factory operating costs (power, wages), recent large production cuts by the major steel mills, and forced closures of Beijing-area small blast furnace producers of nickel pig iron keep price levels of stainless steels stable?”

Additionally, the pace by which supply shortages caused by the US Dumping Case for welded stainless steel pipe are addressed will have a lot to say about the short-term direction of prices for this commodity. However, regardless of whether significant CVD and AD duties are imposed, it doesn't appear likely that welded pipe mills in China will remain competitive by next year. As China evolves and the government becomes more technologically sophisticated, they are improving their monitoring techniques as they are really serious about discontinuing the practice of importing raw materials, consuming precious energy and producing increasingly nasty pollution within China to add relatively small amounts of value and pay to their workforce then turn around and export the end product below established international price levels, which has also increased tension with their western trading partners.

Stainless steel bar consists of 60% (by weight) of carbon steel scrap – which continues to escalate and is currently around US \$700/M – but only represents approximately 9.5% of the total current cost. Comparatively, nickel consists of around 8% (by weight) of the total melt of 304, but represents approximately 42% of the total current cost. Therefore, even if carbon steel prices continue to soar, it will not have a serious impact to overall stainless cost levels...nickel price fluctuations are far more influential to the total costs.”

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STAINLESS STEEL PIPE

Pricing ↘ Manufacturers predict price decreases in the range of 2% - 5% due to the drop in nickel prices which will gradually lower surcharges. The supply situation is level. Pricing remains relatively flat on most products.

Lead Times - Forecast lead times are 8 — 16 weeks with fill rates of 50% - 70% for commodity stainless pipe. Non-stock specials are forecast for 16 — 20 week deliveries. Mill backlogs are dropping.

Comments — Manufacturers indicate that available stock at the mill is expected to be less from August until year end. Big swings in nickel and moly

are not expected during the last half of the year. Most distributors are holding off on stock replenishment in anticipation of lower surcharges. August would be a good time to replace inventory according to manufacturers. Stability should return to pricing for stainless pipe. According to one manufacturer, the low U.S. dollar is working against imports of some products, while others continue to be unfairly priced for sale into the U.S. market. European pipe producers are selling at unfair levels in the U.S. despite the low dollar. The nickel supply is static and prices have been dropping slowly, but steadily since April.

STAINLESS STEEL WELD FITTINGS, 150 & HI-PRESSURE FITTINGS

Pricing ⇔ Manufacturers of stainless fittings are reporting pricing to remain stable for the last two quarter of 2008. However, one manufacturer indicates a 1% - 2 ½% increase due to raw material costs and foreign pressure. The market remains a little soft, but foreign prices are creeping up due to the exchange rate. Material has been stable, but energy surcharges are soaring. The overall costs of natural gas, freight charges, and electricity are not allowing manufacturers to drop pricing. These cost increases offset any reduction in raw material pricing. One manufacturer indicates that the market is very stable and pricing is consistent for stainless fittings.

Lead Times — Fill rates for commodity fittings remains at 70% - 90%. Lead times for commodity material not shipping from stock is 6 - 8 weeks; however,

large OD fittings are running 8 - 12 weeks. Non-stock specialty items depending on material grades can go out as far as 16 — 20 weeks.

Comments — Exotic grades are not as available from stock as they were last year. Refinery expansions remain a bright spot in a sluggish economy. Foreign competition is increasing mainly from China, Korea, and Taiwan. Heavy inventory at the master distributor level causes false price containment, as they move out product sometimes below cost for inventory turns. However, we continue to see less China acceptability. There has been a slow down in many markets compared to 2007. Many distributors fear that due to unprecedented carbon steel price increases at such disturbing rates that many end users will cancel or put on hold projects affecting the total PVF industry.

STAINLESS STEEL FLANGES

Pricing ↗ The manufacturers of stainless steel flanges indicate prices may increase 2 – 5% due to raw material costs. Nickel costs are down, but raw material costs are still slightly higher than the 1st quarter due to other areas of inflation. The cost of nickel, scrap, freight, foreign exchange rates, and increased energy prices of gas and electricity remain volatile and moving prices.

Lead Times — Lead times of 4 - 6 weeks with fill rates of 40 – 50%. Non-stock specials are forecast for 16 - 20 weeks delivery.

Comments — Refinery projects seem to be the main catalyst for substantial orders and the only bright spot in a sluggish economy.

CARBON STEEL PIPE - ERW AND CONTINUOUS WELD

Pricing ↑ Prices for carbon steel pipe has increased 10% and more due to raw material costs, demand, capacity, and labor following increases the prior quarter of 10% or more. The current carbon steel pipe market continues to astonish and confuse the industry. On June 18th, U.S. Steel Tubular Products

announced a minimum of \$800 / ton increase for all shipments on July 1, 2008 or later. The reasons are many and varied (as noted in the June 2008 ASA Industrial Piping Division / Commodity Report) as follows:

1. Scrap and raw materials
2. Iron Ore (price increase of 64% - 80%; Coke up 200%)
3. The decline of the US \$ over the prior year
4. China policy changes on tax rebates / new export taxes and demand inside China
5. Higher Freight Rates due to lack of ships and rising fuel costs

6. Trade Suits and the threat thereof against China (USA, Canada, EU)
7. China's consumption of raw materials
8. Demand for Pipelines, E&P activity, and Plant expansions
9. India's conservation of steel policies
10. The Olympics and the Earthquake in China

Lead Times – Commodity material is shipping in 8 – 12 weeks with non-stock specialty items shipping 16 - 20 weeks or more.

Comments — The carbon steel pipe industry is seeing high demand and unprecedented shortages. There is no indication of prices leveling off. Imports have dropped dramatically, with quotes for foreign made steel product rising faster than U.S. made material. The cost of ocean transport is

up explosively; therefore, many exporters to the U.S. market are seeking markets with other countries. Oil country tubular goods pricing continues to escalate. The average price per ton of OCTG was up over 25% in June versus May, and an amazing 80% increase over last December. U.S. Steel implemented the following increases since January 1, 2008:

Effective Date	Increase/Ton	Conditions
January 1, 2008	\$75	New Orders
March 1, 2008	\$100 (\$200 on 18 - 24")	New Orders
April 1, 2008	\$150	New Orders & All Shipments regardless of Order Date
April 16, 2008	\$250	New Orders
April 25, 2008	\$250	Surcharge on all Existing Orders Shipping After May 1st & before June 30th Price in effect at time of shipment for New Orders.
July 1, 2008	\$800	Minimum increase for All Shipments
Total	\$1,375 (\$1,575 on 18-24")	

The \$800/ton increase announced June 18th is the largest increase ever seen in tubular. It covered all products The \$250 surcharge rolls off June 30th so this is effectively a \$440 per ton increase..

CARBON STEEL WELD FITTINGS AND FLANGES

Pricing ↑ Manufacturers predict price increases for carbon steel weld fittings and flanges to increase 10% or more during the 3rd quarter. The weak dollar and the rapid rise in the cost and availability of raw materials are pushing the price changes. Rising prices are intensified by strong offshore and domestic demand. Multiple increases have been seen during the first six months with more to follow. It is interesting to note that import product has followed the same pricing patterns as domestic items and availability has become a major concern. There is some supply tightening on seamless pipe.

Lead Times — Lead times for commodity material is 3 – 4 weeks.

Commodity fill rates remain at 70% - 80% for carbon steel fittings and flanges. Specialty items are forecast for delivery in 6–8 weeks.

Comments — One manufacturer comments that the weakening of the dollar, increases in operating costs other than raw materials, strong offshore demand, limited capacities of offshore producers, financial woes of certain offshore producers, plus major increases for scrap, iron ore, and coke are limiting the availability of import of carbon steel weld fittings and forged steel flanges.

FORGED STEEL FITTINGS

Pricing ↑ Pricing from manufacturers of forged steel fittings are implementing increases of 10% -15% during the 3rd quarter due to raw material costs.

Lead Times — Fill rates continue at 80 – 90% for forged steel fittings. Deliveries are forecast for 4 - 6 weeks for commodity material not in stock. Specials are forecast for 6 - 8 weeks.

Comments — The material which forged steel fittings and branch

connections are produced is special bar quality steel. Due to the recent escalation in market prices of manganese ferroalloys, Nucor Steel has announced a uniform manganese surcharge on all carbon and alloy SBQ products, effective with shipments on July 1st. Most major SBQ mills are following the implementation of this alloy surcharge affecting forged steel fittings. SBQ has increased 87% since January 1st, and is the direct cause of increased pricing. The Asian import manufacturers are for the first time leading the increases.

STAINLESS STEEL GATES, GLOBES, CHECK VALVES

Pricing ⇔ Pricing for stainless valves is not forecast for a price change during this quarter.

Lead Times —The delivery forecast for stainless valves is 4 – 8 weeks with fill rates of 50% - 60%. Non-stock specials are forecast for 16 —20 weeks or

more.

Comments – Competition, raw material cost and energy costs are the most pressing factors for stainless valve manufacturers.

BRONZE AND IRON GATES, GLOBES AND CHECK VALVES

Pricing ↗ Third quarter indications are pricing increases of 3% - 7% for iron valves and bronze valves should be stable after increases of 2% - 5% last quarter.

Lead Times —Deliveries are forecast for 6 – 8 weeks for bronze and iron valves if not in stock. Fill rates are running 60 - 80%. Non-stock specials are

forecast for 16 - 20 weeks for iron valves and 8 —12 weeks for bronze valves.

Comments — Manufacturers indicate that foundry costs have increased over 60% for iron valves due to raw material costs. Energy costs are also a factor.

CAST STEEL GATES, GLOBE AND CHECK VALVES

Pricing ⇔ Manufacturers of cast steel valves are forecast to hold prices steady during this quarter due to foreign pressure, demand and competition. Last quarters increase of 8 – 10% was due to raw material costs and currency exchange rates.

Lead Times —Fill rates remain at 60% - 70% for commodity cast steel valves.

Deliveries are forecast for 6 - 8 weeks on commodity cast steel with specialty cast steel valves running 20 weeks or more.

Comments — Iron, ore, and scrap are all moving up in pricing. Increases from foundries have increased up to 50% - 60%.

FORGED STEEL GATES, GLOBES AND CHECK VALVES

Pricing ↑ Prices are forecast to increases 5 - 7% for forged steel valves due to raw material costs.

Lead Times - Standard commodity forged steel valves are shipping in 6 - 12 weeks. Fill rates are 60 - 70%. Deliveries of special non-stock forged valves

are forecast for 16 - 20 weeks or more.

Comments – Raw material costs, energy costs and the global currency exchange rates are all volatile pressure issues in the forged steel valve market.

QUARTER TURN VALVES - BALL AND WAFER

Pricing ↗ Manufacturers of quarter turn valves have recently increased their pricing from 4–5% due to raw material costs.

Lead Times — Fill rates are 30% - 50% for quarter turn valves. Deliveries are forecast for 3 – 4 weeks. Some factory inventory is actually increasing. Non-stock specials are forecast for 12 - 16 weeks.

Comments — Manufacturers indicate fluctuating prices of raw materials with moves in both directions makes for lack of stability in pricing. Competition from low cost valve brands has been a problem for many years. Cost does not guarantee performance. The quality standards and process capabilities of foundries in low cost countries like China are far from uniform.

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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Petroleum Refining Planned Turnarounds to Jump in Coming Years...

In the Spring 2008 issue of Valve Magazine, a research study by Industrial Info Resources of Sugar Land, Texas was published indicating that for 2008 and beyond a total of 1,282 planned turnarounds are scheduled versus 257 in 2006. The research firm was tracking 257 refining units. Refineries are increasing refining capacity and improving unit efficiencies by planning a large number of unit additions, expansions and upgrades.

Largest Steel Producing Countries

Million Metric Tons

Country	Rank	2006 MMT	2007 MMT	% Increase
China	1	423	489	15.70%
Japan	2	116	120	3.40%
USA	3	98	97	-1.40%
Russia	4	71	72	2.00%
India	5	49	53	7.30%
South Korea	6	49	52	6.00%
Germany	7	47	49	2.80%
Ukraine	8	41	43	4.70%
Brazil	9	31	34	9.30%
Italy	10	31	32	1.20%

US Department of Labor							Bureau of Labor Statistics			Producers Price Index			
Commodity	Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	
Industrial Valve Mfg.													
PCU332911332911		P	P	P	P								
2008	177.3	179.1	178.3	181.0	181.6								
2007	166.8	169.0	169.2	170.0	171.5	172.6	174.4	175.2	175.4	176.1	176.5	177.3	
Iron and Steel Pipe, Tube & Fittings													
WPU10740951		P	P	P	P								
2008	135.6	135.5	136.0	137.7	146.0								
2007	138.1	137.4	137.4	137.2	137.7	137.6	133.9	134.2	134.3	134.3	135.5	135.4	
Steel Pipe and Tube													
WPU101706		P	P	P	P								
2008	205.9	216	227.2	231.1	248.4								
2007	203.3	200.9	202.1	204.2	204.1	203.2	202.9	202.1	202.2	201.9	200.4	201.4	

P= Preliminary subject to change Feb 2008 to May 2008



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