Market Condition & Activity Bulletin

PIPING & EQUIPMENT— A Member of AD

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Low Cost Corrosion Resistant Alternative

A product called CapGuard has been developed that outperforms zinc plating, and is a cost effective alternative to stainless steel when atmospheric conditions are a factor. This coating incorporates principles developed to meet the rigid specifications used in the automobile industry's environmental testing. CapGuard is a proprietary coating from Capitol Manufacturing and was designed to be used in the steel pipe, valve, and fitting industry. A full line of CapGuard coated steel products including pipe nipples, couplings, forged steel fittings and unions, malleable iron fittings and various accessories are available. Also, CapGuard offers a low cost alternative to PVC coated products used in the electrical industry.

Prior to introducing this new product in the marketplace, Capitol conducted extensive tests to evaluate and analyze the CapGuard coating process. They have established a data base to measure CapGuard's performance with hundreds of chemicals. Major elements include:

Ammonium Phosphate (mono)	Fully Resistant
Ethylene Chloride (concentrate)	Fully Resistant
Ferric Sulfate (1%)	Fully Resistant
Ferric Sulfate (10%)	Fully Resistant
Gasoline	Fully Resistant
Hydrogen Peroxide (concentrate)	Fully Resistant
Potassium Carbonate (50%)	Satisfactorily Resistant
Potassium Dichromate (saturated)	Fully Resistant
Sea Water	Fully Resistant
Sodium Carbonate (50%)	Fully Resistant
Sodium Silicate	Fully Resistant

All tests were conducted per ASTM standards for chemical resistance of pipe line coating. Test results will soon be available on the Capitol Web site at www.capitolcamco.com. As additional applications are identified, new chemicals will be added to the data base.

STAINLESS STEEL PIPE

Pricing ↓ - Manufacturers are reporting expected decreases from 2 to 4%. These decreases are due to foreign pressure, competition, demand, capacity and slightly reduced raw material costs industry wide, and has been well publicized in trade jornals. This expectation is in addition to similar 3 – 5% reductions industry wide for the previous quarter, which were being pushed by the same factors.

Lead times - Commodity items shipping from stock vary from 70 – 90%. The levels of finished goods have reportedly increased in February and March. This seems to be the result of distribution reluctance to purchase for stock at this point in the pricing cycle. Lead times for commodity items are reported to be anywhere from 3-4 weeks to 6-8 weeks. There has been less demand the past six weeks with mill scheduling opening up. Raw material vendors are currently very responsive to delivery requirements. Exotic items of non-standard stainless and high nickel alloys have lead times reported of 8-16 weeks.

Comments - Foreign competition continues to be a concern with domestic producers as Korea, Taiwan, Thailand, and Malaysia increase their shipments to the U.S. This is largely driven by the relative strength of the US dollar, as compared to their currency. Strong consumption levels in the U.S. are also a draw with prices being quoted very low. Raw material pricing is reported to be just under $2.50 for Nickel, slightly below $4.00 for Molybdenum, and $.35 for Chrome.

STAINLESS STEEL WELD FITTINGS

Pricing ↓ - Manufacturers are advising that fitting prices may be going down 6 to 10%. This change will be industry wide due to foreign competition, supply and demand. Also, it appears there might be another slight drop again next quarter. Last quarters downswing was created by the same problems with competition, supply and demand, as well as foreign pressure. Industry analysts say that sooner or later this drop in pricing must end.

Lead times are 2-3 weeks (maximum 4 wks.), which is comparable to the previous quarter. Deliveries remain the same with 80-90% of product out of stock. Exotic items can be shipped in 3-4 wks. or even 3 days if customers are willing to pay premium pricing.

Comments – Manufacturers indicate that material dumping from overseas continues. The market continues to await the final dumping duties on Tachen. One major domestic manufacturer is getting into the foreign business as another appears to be trying to get out. Foreign competition increasing from Japan, China, Malaysia and Taiwan.

STAINLESS 150 AND HI-PRESSURE FITTINGS

Pricing ↓ - The market pricing appears to be dropping this quarter with manufacturers reporting a slight decrease possible as imports continue to gain market share. Domestic competitors are scrambling for domestic business.

Lead times are still reported to be approximately 2 weeks. Manufacturers are able to respond quickly to customer needs. Approximately 90% of commodity items shipping from stock and backorder response is quick. Exotic lead time remain the same at 2-3 weeks.

Comments - Foreign competition with Pacific rim countries appears to be gaining market share. There are reports of much more competition on foreign – domestic pricing, which favors larger distributors who service value added markets. With stainless pipe taking a dip, the price of stainless nipples has dropped.

STAINLESS STEEL FLANGES

Pricing ↓ - Manufacturers are reporting price reductions ranging from 2 – 5%. The price drop is reported to be from supply and demand, foreign pressure, and one manufacturer reports raw material costs dropping with the surcharge decreases. Manufacturers reported last quarter reductions similar to this quarters expected drop. Project purchasing appears to be very slow in the past quarter. The value of foreign currency enabled imports to drop prices.

Lead time for commodity items are still running 2-4 weeks with fill rates of 50-60% and some manufacturers reporting 80-90%. Manufacturers are able to respond quickly to special needs upon request. Exotic lead times are about the same as the previous quarter.

Comments – Foreign competition is increasing with Mexico, Korea, Malaysia, Philippines, Taiwan, and Italy. Imports of finished flanges in 1997 from Asia were reported to be approximately $35 million, up almost 35%. Turmoil in the Asian markets are forcing product dumping for U.S. dollars. Reports indicate spot shortages of raw materials in chrome grades (F-5, F-9, F-22).

CARBON STEEL PIPE (CONTINUOUS WELD)

Pricing ↑ - **Continuous Weld Pipe** prices reportedly increasing from a range of 1 – 2½% and some reports of 5 – 7½% industry wide due to demand and raw material costs. The previous quarter industry wide increase was 6½ with a 5% discount deduction for an overall increase of 1½% due to demand.

Lead times continue the same from stock to 2 weeks for commodity items with 90-100% fill rates.

Comments – Dumping suits are still in effect for Mexico, Turkey, and Indonesia. Foreign competition is increasing mainly from Asian countries, Mexico, and eastern Europe. The "Asian Flu" (Korea and China) is starting to hurt in the U.S. The main raw material for CW Pipe, ferrous scrap, is coming down as is typical this time of year.

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 PIPE (SEAMLESS & ERW)

Pricing ↔ - **Carbon Steel Seamless Pipe** prices are expected to remain constant. Demand continues to be strong with over supply at distributors and mill level. This will take the second quarter to work through. The previous quarter resulted in increases due to demand on 10" and under.
Lead times - commodity items are shipping from stock 70 – 80% and the balance of shipments anywhere from 6 to 12 weeks.
Comments – Dumping suits continue on 4 1/2" and smaller. Foreign competition continues to increase, especially with Pacific rim countries.

Pricing ↔ **- ERW Pipe** pricing not expected to change this quarter.
Lead times on stock commodity items are 60 – 70% with the balance shipping in 4-6 weeks.
Comments – Some manufacturers reporting the possibility of USA pipe producers initiating a dumping case against China in the next 2-3 months. Foreign competition on the increase with China and Korea. The U.S. Economy reportedly had the highest January shipments on domestic steel since 1974! Shipments reportedly of 110.7 million tons.

CARBON STEEL WELD FITTINGS AND FLANGES

Pricing ↔ **-** Manufacturers report no pricing changes or a slight decrease. The slight decrease due to demand may cause a gradual price erosion.
Lead times – Fill rates for fittings are 70-80% and flanges 90-100% from stock. Lead times for commodity fittings are 3-4 weeks down from the previous quarter of 4-5 weeks. Commodity flanges are shipping in 8-12 weeks if not in stock. Exotic fitting and flanges are shipping in 6 – 8 weeks showing some improvement over the past quarter.
Comments – Manufacturers indicate foreign competition increasing from Mexico, Thailand, Italy, India, Japan and Europe.

FORGED STEEL FITTINGS

Pricing ↔ **-** Manufacturers indicate no change in forged steel fittings with the industry waiting to see what happens in the oil patch. If demand for the product fails, prices could be adjusted slightly. Forged steel fittings continue to be in short supply, resulting in prices remaining steady.
Lead times for forged steel fittings are 3-4 weeks with pipe nipples shipping in 1-2 weeks. The fill rates are approximately 70% on fittings and 90% on nipples. Exotic material lead times are running 2-3 weeks.
Comments – Foreign competition remains about the same with many customers continuing to use domestic forged fittings and nipples. Availability and only a slight price advantage discourages the purchase of imports. Raw materials have remained constant during the 1st quarter of 1998.

STAINLESS GATES, GLOBES, CHECKS

Pricing ↔ Manufacturers report no price change this quarter or last.
Lead times are reported to be from 4 to 8 weeks with deliveries improving somewhat due to better inventory control and improved casting deliveries. Fill rates are 60 – 80% from stock. Exotic item deliveries are reported to be 6-8 weeks, with some manufacturers reporting 16-20 weeks.
Comments – Foreign competition remains the same.

FORGED STEEL GATES, GLOBES, CHECKS

Pricing ↔ - Manufacturers report no change in pricing expected for forged steel valves.
Lead times for commodity items are 2-4 weeks. Overall fill rates are 95% for commodity items. Special items are forecasted for delivery in 4-6 weeks.

Comments - Some manufacturers report that foreign competition is decreasing, and some former import houses are coming back to domestic products. MTR (Material Test Report) requirements seem to be contributing to this trend. Raw material costs on forged valves appear to be holding through 1998.

BRONZE AND IRON GATES, GLOBES, CHECKS

Pricing ↑ Manufacturers report a possible price increase within the next 90 days due to labor, material and freight costs.

Lead times are running 3-4 weeks. 90-100% of commodity items shipped from stock.
Comments – foreign competition is increasing.

CAST STEEL GATES, GLOBES, CHECKS

Pricing ↔ Manufacturers report that pricing on cast steel valves are not expected to change this quarter. Some producers indicate that pricing levels are very difficult as they are in an over capacity situation. Also, it appears that pricing from Korea may decline for the short term; however, delivery may become a problem.
Lead times – Fill rates for commodity items in stock are reported to be 70 – 90% with some manufacturers indicating improved inventory position. Lead times are reported to be 3 – 4 weeks to as long as 8 – 12 weeks depending on the manufacturer. Special exotic item lead times are 16 – 20 weeks with foundry lead times extended.
Comments - Foreign competition remains steady with a slight increase from third world countries. Raw material costs appear to be showing no real change, depending on producer sourcing programs.

QUARTER TURN VALVES — BALL AND WAFER

Pricing ↔ Manufacturers report no forecasted price changes for this quarter.
Lead times are improving with overall 3-4 weeks reported improving from the previous quarter of 4-8 weeks. Fill rates are only about 10%, since most products are assembled to order, with the exception of smaller screwed end valves. Wafer valve lead times have significantly improved with manufacturer reported capacity available to increase production. Ball valve lead times have improved particularly in larger sizes of 8-12".
Comments – Foreign competition remains the same. No significant changes in the cost of raw materials.