



# The PIPE Connection

Your Number One Source for Steel Pipe, Valves and Fittings

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## Message from the President:

"To all our loyal customers, we thank you for your continued support in 2005 and look forward to a strong and prosperous 2006. We hope you find The Pipe Connection one of several value added tools State Pipe & Supply Inc. offers to help you grow your business. We look forward to working with you, our loyal customers and suppliers, as partners as you are our most valued asset. Thank you again for helping to make State Pipe & Supply Inc. your Number One Source for all your steel pipe, valve and fitting needs."

Sincerest Regards, Honggie Kim, President.

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**This** first edition of the year comes with President Bush denying relief to the domestic steel industry with regard to Chinese Circular Welded Non-alloy steel pipe imports. (see October 2005 edition of The Pipe Connection for details of Section 421). Domestic steel pipe producers have long complained that Chinese steel imports have both increased dramatically (surge) and been priced much lower than what may be defined as competitive market prices, due to both currency manipulation and subsidies from the Chinese government to exporters. In a statement made to the Secretary of Commerce, Secretary of Labor and United States Trade Representatives, President Bush stated that 1) "Any import relief... is likely to be ineffective because of the extent to which imports from third countries would likely replace curtailed Chinese imports" and 2) "imposing import relief would cost U.S. consumers substantially more than the increased income that could be realized by domestic producers." Time will tell, however there is a possibility more strict trade enforcement petitions ( in the form of Anti Dumping) may be filed to curb the surge in imports from China Sections 421 petitioners sought after and lost.

In mid 2004 steel availability was tightened due to China's planned growth and effort to satisfy internal steel demand through increased domestic production, Prices peaked in early 2005 and since that time, China's prices stabilized, yet remained the lowest cost with regard to standard pipe delivered to the West Coast. In October 2005, the U.S. ITC voted 4 to 2 in favor of domestic steel producers filing of Section 421, effectively curbing offers and imports from China for steel pipe covered under the petition. During this time, however, other mills from other countries took advantage of China's limited offerings and brought prices down to a level where they could once again

become competitive with previous Chinese offerings The result was U.S. customers shifting their requirements to these other mills to cover 1<sup>st</sup> quarter 2006 arrivals.

Without the enactment of Section 421, China has come back to regain market share lost during the past quarter. New Prices offered to West Coast ports are approximately 5% lower than 3<sup>rd</sup> quarter 2005 offers with no tonnage limitations. With recent news of the pending sale of Wheatland Tube, (one of several petitioners in the 421 case which has laid off nearly 400 employees over the past year), and further downsizing of other mills, domestic producers may look to file more strict trade policies in the near future.

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**Over** the past several years, State Pipe has embarked on expanding our product lines to better serve the needs and expectations of you, our customers. We strive to understand and react to changing conditions in the marketplace. In 2005 we successfully introduced to the Fire Sprinkler market our exclusive SPS Flow Pipe. We have also increased our service into markets served by Mechanical Contractors with the addition of several new salesmen, Ron Davis and John Hessler, and increased inventory of fittings, flanges and valves. Allyn Sayre recently joined State Pipe as resident Salesperson covering Arizona.

In continuing our strategic growth and expansion, we are pleased to announce our entry into another market: Ornamental Tubing. To meet the storage and distribution requirements of this new product, a 24,000 Square foot warehouse is being constructed in Rialto, Ca. Expected completion is Summer, 2006. We will also carry inventory at our Santa Fe Springs, Ca. location.

Ornamental Tubing is produced as Electric Resistance Welded (ERW) tubing, in Square, Rectangle and Round shapes.

We are pleased to also announce that Bob Bagan has joined the State Pipe family to lead this entry into Ornamental Tubing. Bob joins State Pipe with 24 years experience in the Steel Tubing Industry, including positions of Manager ERW Tubing, National Sales Manager, Process Controls Manager and Vice President of Sales & Marketing.

We welcome your comments. Please address your comments to [statepipe@statepipe.com](mailto:statepipe@statepipe.com)