

# The PIPE Connection Bulletin

Your Number One Source for Steel Pipe, Tubing, Valves and Fittings

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As most of you are well aware, prices and lead times for both domestic and import steel pipe has continued to increase since the last issue of The Pipe Connection (2<sup>nd</sup> Quarter 2006). Energy and raw material costs remain at record highs and we still see little relief in the near future. This Bulletin details recent flat roll price trends and zinc prices, two important gauges pipe buyers should review as both directly influence the price of black and galvanized pipe. There is additional information regarding the possibility of a future decrease in the export tax rebate (subsidy) to Chinese steel mills by the China government, which will also affect prices for imports coming in from China.

World hot rolled coil prices have increased considerably in the past 6 months, leading to higher welded pipe prices both here in the US and from offshore. In keeping pace with a growing demand for both durable goods and automobiles, combined with constant building of infrastructure to support its growing economy, China's internal consumption of hot rolled coil will continue to increase in the coming years.

In addition to strong steel demand, zinc prices have soared from the beginning of the 2006. Volcan Cia Minera SA, South America's biggest zinc producer, said prices for the metal won't fall below \$3,000 a metric ton until 2008 because of a production shortfall.

Volcan believes Zinc will remain almost three times the average price for the past five years because of a scarcity of the metal.

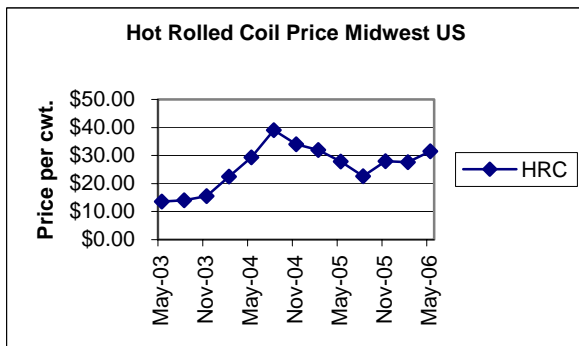
Zinc futures have risen 86%, and traded at a record \$4,000 on May 11. Demand is forecast to exceed production, and investment funds are buying the metal as they diversify into commodities. (The Financial Express; May 26, 2006)



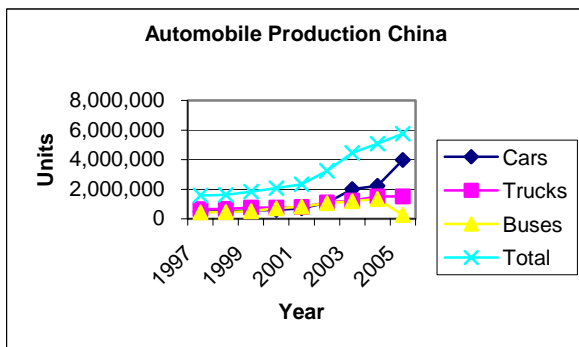
Source: Zinc Price LME CashBuyer

There has been recent discussion by the Central Government in China to further decrease the export subsidy given to steel mills for welded steel pipe. This rebate, designed to promote exports by refunding taxes for production costs and materials paid by Chinese mills, has been the subject of controversy as US steel mills target the rebate as an unfair trade practice. While the June 1<sup>st</sup> target date has past (the original date Beijing expected to implement the decrease), the likelihood of this occurring in the next few months remains strong. The current rebate of 11% may fall to 5% according to sources in China. Prices for all steel welded pipe will then increase by an average of 3-4% (\$25 - \$30 per short ton). It is not clear whether seamless line pipe and OCTG will be included in this rebate decrease. We will advise you of such information as it becomes available.

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



Source: Steel Price Archives AMM



Source: Misteel GCN Office