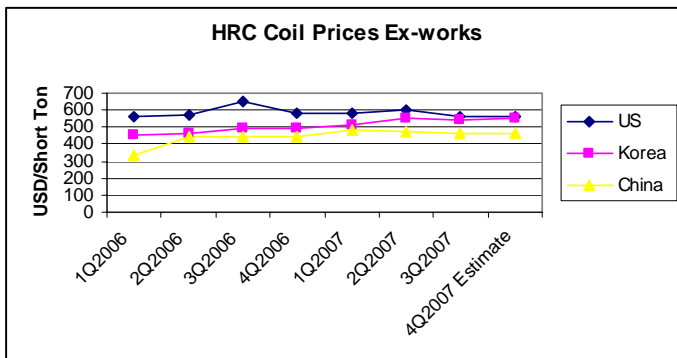


Where from and when to buy are the questions many people throughout the steel supply chain are asking these days. Steel futures for standard welded pipe from China are nonexistent, and the more recent filing by US producers for welded tube (round, square and rectangular) against China, Mexico and Korea are forcing buyers to look at domestic mills as a possible replacement. Buyers are scrambling to make sense of what has become an uncertain time. In this edition of *The Pipe Connection*, we will review some of the many complexities facing our industry.

WHERE FROM?

With the decision by the USITC on both above petitions against welded pipe and tube currently pending, offers from China are nonexistent. Open orders are being rushed to beat the stipulated November 5th deadline—when potential countervailing duties will be implemented. This leaves a large supply void as China mills have provided a large percentage of the standard and line pipe imports for the past few years. The question now for both distributor and trader alike is “Where do we buy from now?” The answer is not as easy as one might think as new offers from countries such as Korea, Taiwan, Indonesia and Philippines are 17 to 23% (\$110 for Black to \$175 per ton for Galvanized pipe) higher than the last round of pricing from China. Such an increase is not easy to swallow and many have elected to wait and see which countries and mills will step up to fill the China gap.



Due to increasing energy and raw material prices, replacement costs from Asia outside of China are high. Hot and Cold Rolled prices remain near record

levels; which translates into high production costs for pipe and tube in Asia. Most Chinese pipe producers use narrow strip to make standard pipe and line pipe. Due to the quality and “workability” constraints of narrow strip, most Asian mills outside of China are forced to buy high cost full width coil—Chinese strip was approximately \$80 per ton less than full width HR Coil in Asia.

WHEN TO BUY?

While demand in the US has continued to be lackluster at best, steel service center and distributor inventory levels are slowly coming down in the 3rd quarter. Due to the high replacement costs from Asia for 4th quarter shipment, many distributors have forgone buying in hopes import prices will soften as they have here in the U.S. The question of “When to buy?” is now at the forefront of every purchaser’s mind. Noting construction industry woes will continue for at least the next 12 months, standard pipe buyers will be forced to keep an even closer eye on price fluctuations and turns in the coming year. And, with domestic Hot Rolled Coil prices continuing to soften as mills attempt to fill lighter than normal order books, buyers of import pipe and tube are now challenged when and whether to buy from offshore or to rely on increasingly competitive domestic offers.

There are no indications that prices will return to past Chinese levels for the balance of 2007 or for 2008. And uncertainties are at a high for those who have forgone purchasing. These looming questions should wane dramatically over the next several months. Regardless, State Pipe & Supply will continue to keep our sourcing channels secure outside of China; and at highly competitive prices.

Visit us at Booth #103 at the American Fire Sprinkler Association Convention and Exhibit at the J.W. Marriott Desert Ridge in Phoenix, AZ September 26th to the 30th. Go to www.firesprinkler.org for more details. State Pipe & Supply, Inc. will showcase our exclusive SPS Flow Pipe product and related welded pipe products available to the fire and sprinkler industry.