

April 10, 2006

The following market analysis is compliments of [Tom Sheeler](#):

- Base prices on stainless steel pipe increased 6 – 9% March 1st, 5% on April 3rd and 8.5% on April 10th. This is due to increased cost in manufacturing, raw materials, energy and freight. There are also indications of another increase in May or June.
- Surcharges on 304/L have continued to rise each month since December. The surcharge for April is .717/lb.
- Surcharges on 316/L have been up and down and are up in April to 1.445/lb.
- As surcharges and raw material prices on stainless pipe continue to rise, we expect price increases in related products such as butt weld fittings, flanges, pressure fittings, etc. as well.
- Prices on imported carbon steel ERW and stainless pipe have continued to increase. The domestic market has been holding fairly steady on ERW; although the domestic seamless prices are increasing. In fact, there has been a 6% increase effective March 17th, on 2” and smaller A106B seamless pipe.
- The carbon steel weld fitting market has softened a little recently. We view this as a temporary oversupply issue at the master distributor level only and should correct itself by mid-second quarter. With seamless pipe prices continuing to escalate, the long-term trend for carbon steel weld fittings and flanges is up. All other carbon steel products have remained fairly steady through the 1st quarter.
- Stainless mills are booking capacity at an alarming rate. Large liquefied natural gas (LNG) projects and multiple ethanol facilities construction are just two of many reasons driving this. Therefore most mills are back to a “price-in-effect at the time of shipment” mode.
- The steel industry is very hot right now. Industry consolidation continues around the world. The latest example is #1 Mittal vying to consume #2 Arcelor. The energy market has exploded. OCTG (Oil Country Tubular Goods) demand is off the charts as one would expect with oil prices where they are. Therefore, most mills have dedicated capacity to this highly profitable market.
- **Most importantly**, the continued infrastructure demands that China, India and others are placing on the steel industry (also China’s preparation for the Olympics in ‘08) will cause the world-wide demand for steel to continue to grow at a rapid pace.

About the Company: American Stainless & Supply, LLC is a wholesale distributor of industrial pipe valves, fittings, controls and shapes, selling primarily to manufacturers and industrial contractors throughout the country.