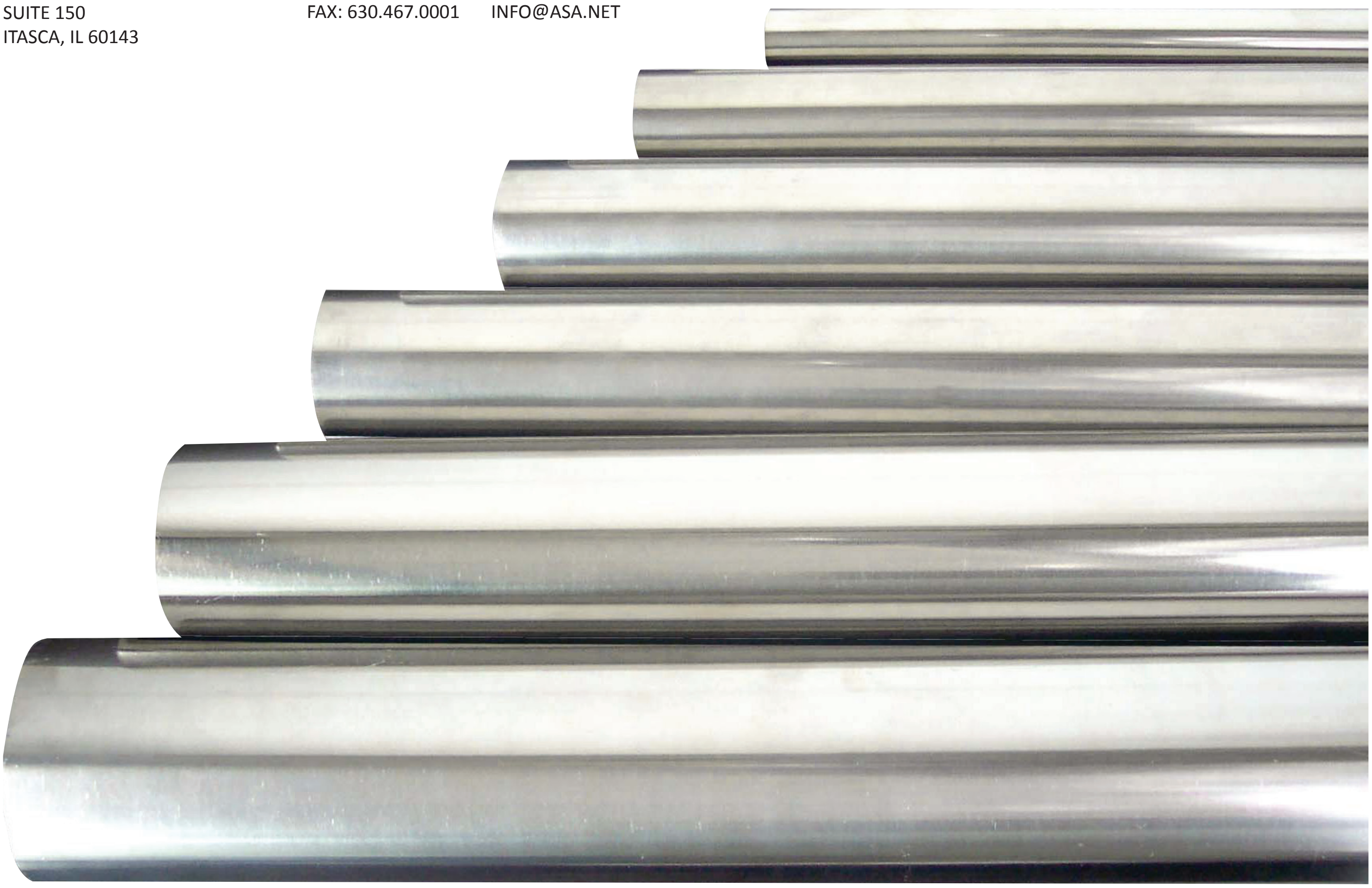
AMERICAN SUPPLY ASSOCIATION
HEADQUARTERS

1200 N. ARLINGTON HEIGHTS RD.
SUITE 150
ITASCA, IL 60143

TEL: 630.467.0000
FAX: 630.467.0001

WEB: WWW.ASA.NET
INFO@ASA.NET



ASA MATERIALS MARKET DIGEST

December 2011 • Jim Olsztynski, Editor • Published monthly by the American Supply Association • www.asa.net • info@asa.net • 630.467.0000

ROUTE TO

In the Spotlight: Good News, Bad News About Rare Earths

Praseodymium, cerium, lanthanum, neodymium, samarium, gadolinium, and neodymium. These minerals are about as rare as people who have heard of them. Yet, they cause a lot of hand-wringing in the national defense community because they are critical elements in much of today's high-tech military gadgetry. Around 97% of the world's supply of rare earth metals gets mined in China, and that country has put a limit on exports of these scarce elements.

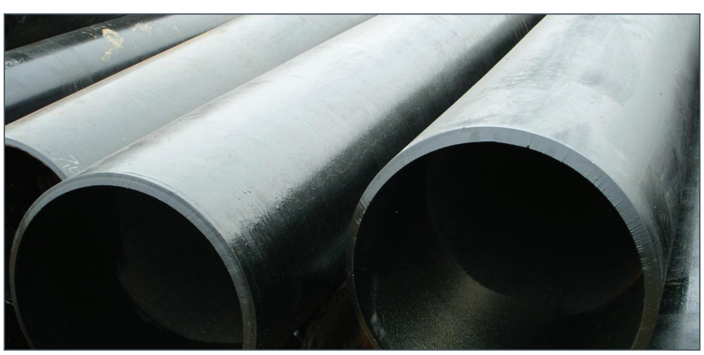
Now, according to a September 29, 2011 article in *Scientific American* by Sarah Simpson geologists think they have discovered an alternative source of rare earths estimated at about a 10 years' supply at current consumption rates as well as vast deposits of copper and iron. That's the good news.

The bad news is that the deposits are found in one of the nastiest regions in the world: southern Afghanistan near the Pakistan border. Extracting the deposits from their rugged natural environment is challenging enough. Throw in suicidal maniacs dedicated to destroying Westerners and their economic activities… well, it might be easier to extract blood from those rocks.

On a related note, in early November, the U.S. Congress approved the formation of a caucus aimed at promoting more domestic supply of rare earth metals. The U.S. contains an estimated 12 million metric tons of rare earth reserves, compared to China's 50mmt.

Carbon Steel

Steel shipments look good, on the surface. U.S. service center shipments increased 11.5% in October over the same month of 2010, according to the Metals Service Center Institute. For 2011 year-to-date, steel shipments were up 15.4% from the same period in 2010. Canadian Service Center shipments in October rose 9.9% from October 2010 and 11.7% year-to-date.



Nonetheless, there are a lot of people in the steel industry holding their breath given the turmoil in Europe and signs of contraction in emerging markets. Steel product inventories increased 12.9% over October a year ago in the U.S. At the current shipping rate, this represents 2.5 months of supply in inventory, which is an increase of 1.3% from a year ago.

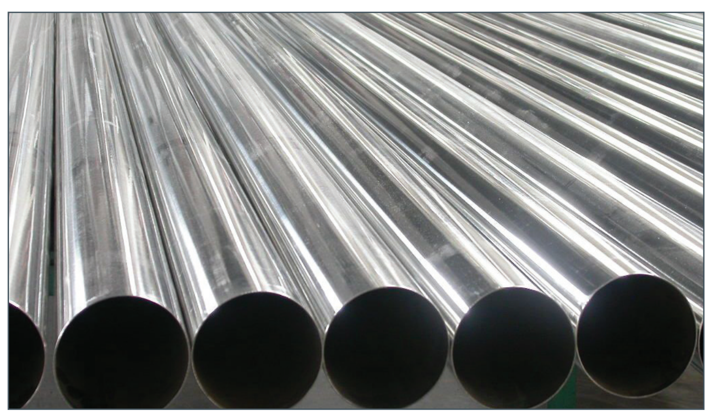
A recent survey of the Steel Buyers Forum of the Institute for Supply Management found about half of the purchasing agents indicated their inventories were "too high" compared with demand in October, although only 30% responded they planned to reduce stocks over the next six months. A sizable majority of those surveyed (60%) forecast no change in economic activity in the next six months, although none projected further downturn.

Will price increases hold? U.S. Steel and other domestic producers have tried to push through price increases of $30-50 a ton through early November with early signs they are holding firm. It all depends on demand holding firm, which is the big question mark for everyone.

Globally, the British metals tracking firm MEPS reported that global flat steel prices dropped an average of 2.5% in November. Europe's issues and slower growth in developing nations are the cause. Let's just say that hot spots are hard to spot anywhere around the globe.

Stainless Steel

U.S. stainless producers threaten dumping action. Members of the Stainless Steel Tube Trade Advancement Committee (SSTTAC), a group of domestic seamless stainless steel pipe and tube manufacturers, expressed concern about increasing examples of apparently dumped imports from foreign producers following the imposition of European sanctions. *"The Chinese prices in the market tend to be 25 to 50 percent lower than prevailing market prices,"* said David Hartquist, counsel to SSTTAC.



Imports of small diameter seamless pipe and tubing are up by nearly 40% through August, 2011 led by substantial increases from Japan (up 350%) and China (+56%), charged Hartquist. *"We will keep an eye on this situation in coming months and take appropriate actions if U.S. trade laws and the rules of the World Trade Organization are being violated."*

SSTTAC members include Plymouth Tube, Handy & Harman, Salem Tube, Sandvik, Summerill Tube and Superior Tube.

Domestic prices down for now but heading up in January. After trimming flat-rolled surcharges for December, various North American stainless steel manufacturers have sent letters to customers announcing price increases in January for flat-rolled products, including tubular quality goods. ThyssenKrupp Stainless North America, ATI Allegheny Ludlum Corp. and AK Steel Corp. announced an end to various discounts or base-price increases, and it was expected that other producers would soon follow suit.

Shortly afterward, Bristol Metals announced a 14% price hike for its stainless pipe products, citing increasing raw material costs. It said flat-rolled suppliers are hiking base prices 10-16% as of Jan. 2. Market sources generally did not interpret this to increasing demand but an attempt to shore up eroded margins. According to MEPS on November 29th, there is some skepticism that the price increases would stick, especially following a recent drop in nickel prices.

Rolly poly moly. Derek Fisher, CEO of Australia's Moly Mines Ltd., told *Metal Bulletin's* 27th International Ferroalloys Conference that the world molybdenum market will move into oversupply over the next five years as a number of large projects are being developed, and China will have enough production to sustain its own demand. New projects will add about 230-250 million pounds of capacity over the next five years, while demand will increase by only 92 million pounds in that period, Fisher predicted. New projects include mines in Colorado and Nevada.

Tubular Products

OCTG: too much of a good thing? The boom in oil and gas drilling (rig count up 22.6% in the first half of 2011) has led various tube producers to expand or enter the market raising the specter of overcapacity in the not too distant future. Among recent announcements, India's Welspun plans to build a $76 million ERW pipe mill in the U.S. at an as yet undisclosed location; Republic Steel said it will build an electric furnace shop with a 1-million-ton melt capacity at its Lorain, OH, facility to produce seamless tube rounds; Schulz Extruded Products (SXP) completed construction of a $300 million tubular products mill in Tunica, MS, earlier this year, which is expected to start producing seamless pipe for the oil and gas sector before year's end; and California Steel Industries is said to be mulling size expansion of its ERW pipe for oil and gas transmission lines. All this on top of major U.S. OCTG plants previously started by Northwest Pipe, Tianjin Pipe, Vallourec, Wheatland Tube and others. Expansion has been driven in large measure by shale plays, whose horizontal drilling technology uses more OCTG products than conventional holes. Many of these decisions were made when oil prices were well above $100 a barrel and rising. The sluggish U.S. economy, Europe's problems and a slowdown in developing economies have reversed that trend. In recent weeks oil has teetered below the $100 level and some analysts are predicting a drop all the way back to $60 a barrel if the global economy doesn't start throwing off some sparks.

Price hikes in trouble? U.S. Steel, Vallourec & Mannesmann USA, Boomerang Tube and TMK Ipsco recently sent letters to customers warning of price increases ranging from $75 to $150 a ton for various OCTG products starting Jan. 1. Typically this leads to increased purchasing in the here and now before the hikes take effect.

However, some sources say buyers are not taking the bait as much as before. They are spooked by all the turmoil in global financial markets and seem less afraid of buying high than of being stuck with inventory if economic woes finally impact the drilling boom. Distributors may also figure that looming overcapacity will restrict the ability of producers to boost rates.

Pricing generally is stronger for alloy products commonly used in shale deposits than for commodity grade carbon steel. Several standard pipe and tube mills have already throttled back $50-a-ton price hikes announced in mid-November to $30, and it remains to be seen if even that level can be sustained. Downward trends in raw material costs and short lead times driven by plentiful supply are making it hard for producers to maintain pricing discipline.

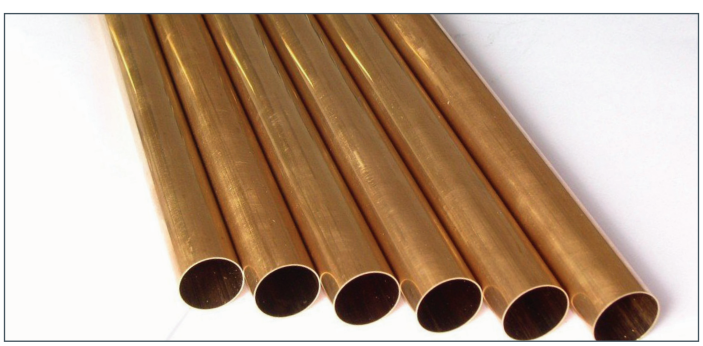
Industrial PVF outlook brightens. The latest Manufacturers Alliance/MAPI Quarterly Economic Forecast foresees growth in manufacturing of 4.3% in 2011, 3.4% in 2012 and 3.8% in 2013. These have been nudged upward from the organization's August forecast of 4.1% and 3.2% growth in 2011 and 2012, respectively. MAPI's report anticipates manufacturing growth to outpace GDP, which it sees as averaging a relatively sluggish 2.9% annually between 2012 and 2016. Exports are expected to drive better performance for manufacturing than the economy as a whole.

"Consumer spending is restrained by sluggish job growth and minimal wage increases, and combined with the impaired housing market, we do not foresee a return to debt-based growth," said MAPI Chief Economist Daniel Meckstroth. "Instead, drivers will be increased investment in business equipment and trade. Also, we are seeing some modest growth in non-residential construction, suggesting that the sector's recession is bottoming out."

U.S. Pipe & Tube Imports					
Landed duty-paid value (in $1,000s)					
Annual & Year-To-Date Data from Jan.-July 2011	**2010**	**YTD 2010**	**YTD 2011**	**% Change YTD**	**% Change 2006-10**
Total Carbon and Alloy Pipe & Tube	7,664,857	5,726,148	7,269,837	27.0%	-0.3%
Carbon Seamless Tubular Products (Other than OCTG)	1,012,488	677,005	1,405,643	107.6%	-18.5%
Carbon Seamless OCTG	2,044,587	1,502,129	1,902,075	26.6%	6.1%
Welded Tubular Products (Other than OCTG)	2,322,697	1,921,498	1,682,696	-12.4%	-24.5%
Welded OCTG	1,133,582	809,931	1,176,780	45.3%	69.5%
Flanges, Fittings & Tool Joints	903,231	633,582	898,891	41.9%	17.2%
Stainless Seamless Tubular Products	638,731	456,764	676,566	48.1%	45.2%
Stainless Welded Tubular Products	376,010	276,659	326,954	18.2%	-7.2%
Stainless Flanges, Fittings & Tool Joints	367,963	264,600	393,214	48.6%	6.4%
Source: U.S. International Trade Commission/U.S. Department of Commerce					

Copper

Copper comes a cropper. Copper prices have been jumping around quite a bit in recent times, though generally settling at under $3.30/lb. on the COMEX exchange during most of November. That's quite a drop from the $4 pricing experienced in August, and most analysts expect copper pricing to remain sluggish.



Shipments of copper pipe plunged 25.4% in September from the previous month, according to the Copper and Brass Servicecenter Association, far more than wire, rod and other copper products.

Reduced demand from China is a big reason for copper's stagnation. According to China's customs service, imports of refined copper have plunged 39% this year on top of an 8.3% decline in 2010. China's copper imports more than doubled in 2009. A *Wall Street Journal* article on November 15th cited a crackdown on speculators as a major reason.

Most analysts expect copper prices to remain relatively steady heading into 2012 due to stabilizing demand and rising transportation costs. Some copper traders have expressed fear that freight rates have the potential to rise by as much as 20% over the next two years.

Deficit eyed in global copper production. Preliminary data from the International Copper Study Group for August 2011 indicate a production deficit of 45,000 metric tons (mt) as global refined usage rose by 6.8% from that in July. Strong Chinese apparent usage (data is suspect) more than offset seasonally weak usage in other regions - and refined production rose by only 2.5%. The apparent refined copper balance for the first eight months of 2011, including revisions to data previously presented, indicates a production deficit of 161,000mt. This compares with a production deficit of 339,000mt in the same period of 2010.

Scrap Markets

Ferrous scrap hits bottom? Analysts maintain that the U.S. ferrous scrap market is due for at least a slight uptick in pricing during December-January thanks in large measure to reduced melting schedules during the holiday season. Besides seasonal factors, ferrous prices took an unexpectedly steep hit during November, which analysts think was due in part to a flood of cheap pig iron from Brazil. Prior to that, pricing had been rather steady since early in the year. Economic uncertainty has caused steel mills to turn conservative in their buying practices. Steel producers will be looking to increase the flow of scrap after getting by at rock bottom, according to AMM.com.

Really big shipments. The scrap marketplace was buzzing with reports of 10 bulk cargoes of U.S. ferrous scrap exports just prior to Thanksgiving. The ships were said to be headed to Turkey, Taiwan and India

Nonferrous roller coaster ride. The non-ferrous arena has been extremely volatile, according to sources in the scrap marketplace. Copper scrap was on a similar roller coaster as refined copper products, and other base metals have followed suit in recent times.

Weakened copper scrap deliveries were primarily responsible for a 6.4% decline in U.S. nonferrous scrap exports in September, following a three-year high reached in August, according to U.S. Commerce Dept. figures. Copper scrap prices plunged by an average of 10% in September due to diminished Chinese demand.

China headed toward scrap self-sufficiency? That's the prediction of a prominent Chinese scrap executive. According to Jacky Chun, CEO of China Metal Recycling, in 10-15 years China will no longer be reliant on scrap imports and may even become a net exporter, he told a scrap conference in Shanghai recently.

Metal theft law enacted in Florida county. Scrap yards in southern Florida's Lee County are now required to send electronic documentation of all transactions to the sheriff's office every business day, and a new ordinance also requires scrap dealers and processors to accept only electronic payments or checks for 18 items listed in the ordinance. Scrap dealers worked with county officials in devising the law, and most are said to be reasonably satisfied with the outcome to the extent that anyone in business can be said to be satisfied with yet another layer of bureaucracy. Other Florida counties also are contemplating similar legislation.

On a related note, a police initiative in Clearwater, Florida, targets vehicles hauling large metal loads and requires drivers to account for their origins. Clearwater police said metals thefts, especially copper from a/c units, have increased five-fold since 2009.

Plastics

Prices of almost all pipe grade resins continue to decline, according to the latest report by *Plastics Technology* magazine. PE, PP, PS and PVC all declined in October, and all seem poised for further drops with the possible exception PP. Drops in feedstock prices and continued lackluster domestic demand have made attempts to shore up pricing futile among resin producers.

ExxonMobil placed its HDPE resin on allocation due to operational problems at its production facility, according to the magazine. No end date was given for the allocation.

News of Note

Pipe dumping charges proliferate. JMC Steel Group, Allied Tube & Conduit and U.S. Steel filed an anti-dumping and countervailing petition with the Commerce Department and the U.S. International Trade Commission (ITC) against imports of circular welded carbon pipe from India, Oman, United Arab Emirates and Vietnam. The 2,188-page petition said that imports of carbon welded pipe rose 23.9% between 2008 and 2010, with the growth rate picking up even further to 29% in the first half of 2011. The ITC is scheduled to have made a preliminary injury determination by Dec. 12. If the agency determines harm to U.S. industry, duty determinations are slated to be determined in January and April.

Besides this new investigation, the Commerce Dept. recently announced a series of extended anti-dumping duties on various pipe products from foreign countries.

The final results of the Commerce Department's International Trade Administration (ITA) expedited third sunset review of anti-dumping duty orders on **circular welded non-alloy steel pipe from Brazil, Mexico, South Korea and Taiwan and circular welded carbon steel pipe and tube from Taiwan** indicate it will retain the duties in question. Weighted-average margins have been set at 103.38% for all Brazilian manufacturers and exporters; 32.62% for all Mexican manufacturers and exporters; 11.63% for Masan Steel Tube Works, 6.86% for Hyundai Steel Pipe Co., 6.21% for Korean Steel Pipe Co., 4.91% for Pusan Steel Pipe Co. and 6.37% for all other South Korean manufacturers and exporters; and 43.7% for Tai Feng Industries, 38.5% for Yieh Phui Enterprise Co. and 9.7% for all other Taiwanese manufacturers and exporters.

The ITA also retained anti-dumping duty orders on **circular welded carbon steel pipe and tube from India, Thailand and Turkey.** Weighted-average margins have been set at 7.09% for all Indian exporters and producers; 15.69% for Saha Thai Steel Pipe Co., 15.6% for Thai Steel Pipe Industry Co. and 15.67% for all other Thai exporters and producers; and 23.12% for Erkboru Profil Sanayi ve Ticaret and Mannesmann-

Sumerbank Boru Industrisi, 1.26% for Borusan Ithicat ve Dagitim and 14.74% for all other Turkish exporters and producers.

The ITC is conducting a second five-year review of an anti-dumping duty order on **stainless steel butt-welds fittings from Italy, Malaysia and the Philippines.** The deadline for responses is Dec. 1, and comments on the adequacy of the responses may be filed by Jan. 13.

Mexico socks it to U.S. pipe producers. South of the border is the flip side of anti-dumping charges as the Mexican government extended a 25.43% compensatory anti-dumping quota on all imports of U.S.-made longitudinally welded line pipe by five years. Originally enacted in 2005, the quotas are being extended for five years dating from May 2010. Mexico reduced the quota on products from Berg Steel Pipe Corp. to 4.04% from 6.77% after Berg argued that it only sold its products in Mexico once every five years on average.

A. M. Castle & Co. makes $165 million purchase. Chicago area-based A. M. Castle & Co. announced that it has executed a definitive agreement to acquire Houston–based Tube Supply, Inc., a distributor of specialty tubular and bar products for the oil and gas industry, for $165 million. Tube Supply focuses on the equipment and tools used in down-hole completion and wellhead applications and had revenues of approximately $208 million for the 12-month period ended October 31, 2011.

Construction material prices edge down. The amount contractors pay for a range of key construction materials dropped 0.6% in October but climbed 6.9% from the year-earlier level according to an analysis of producer price index figures by the Associated General Contractors of America. AGC Chief Economist Ken Simonson noted that prices for copper and brass mills shapes fell -8.3% during October and -0.2% over 12 months. *"Costs for essential construction materials are likely to remain volatile causing financial difficulties for some contractors who must guarantee prices to owners months before purchasing materials,"* the economist cautioned.

Producer Price Index - Key Industry Products				
				% Change
Pipe, Valves & Fittings	**Sept. 2011**	**Oct. 2011**	**% Change**	**Oct. 2010**
Metal valves, except fluid power	267.3	268.6	0.5	7.8
Gates, globes, angles, and checks	306.3	304.9	-0.5	2.8
Ball valves	299.2	302.3	1.0	23.6
Butterfly valves	196.7	198.8	1.1	4.9
Industrial plug valves	203.6	212.4	4.3	8.2
Plumbing and heating valves (low pressure)	266.0	266.0	0.0	0.0
Solenoid valves	296.5	280.7	-5.3	11.7
Other industrial valves, including nuclear	242.6	243.7	0.5	6.4
Automatic valves	152.5	155.7	2.1	6.3
Steel pipe & tube	274.6	279.2	1.7	12.9
OCTG, standard, line pipe, carbon	113.3	115.9	2.3	0.0
Steel pipe & tube, alloy	107.1	107.0	-0.1	0.0
Steel pipe & tube, stainless steel	107.9	106.8	-1.0	0.0
Metal pipe fittings, flanges and unions	297.4	295.5	-0.6	5.8
Copper & copper-base alloy pipe and tube	262.1	257.9	-1.6	8.3
Plastic pipe	103.4	101.7	-1.6	10.3
Plastic pipe fittings & unions	133.0	131.6	-1.1	13.7
Plumbing Fixtures, Fittings & Trim	**276.0**	**276.0**	**0.0**	**3.6**
Vitreous china fixtures	145.3	145.3	0.0	1.6
Bath & shower fittings	224.0	224.0	0.0	4.1
Lavatory & sink fittings	137.1	137.1	0.0	3.9
Miscellaneous brass goods	285.1	285.0	-0.1	3.1
Enameled iron & metal sanitary ware	199.9	199.9	0.0	1.6
Steam & Hot Water Equipment	**252.6**	**254.4**	**0.5**	**5.0**
Cast iron heating boilers, radiators and convectors	160.6	161.5	0.6	6.0
Steel heating boilers, all classes	157.6	159.3	1.1	1.9
Domestic water heaters	323.1	324.2	0.3	1.3
Electric water heaters	306.8	308.1	0.4	1.7
Non-electric water heaters	203.0	203.6	0.3	0.9
Warehousing, Storage, & Related Services	**101.5**	**100.3**	**-1.2**	**1.9**