



COMMERCIAL & INDUSTRIAL BUSINESS GROUP

INDUSTRY INSIDER

June 2008

Project Spotlight ~ Ferguson, Rochester, NY (2384)

Holiday Inn, Waterloo, New York



Ferguson in Rochester, NY (2384) has had great success with a Commercial Water Heater job they designed and sold to a Holiday Inn in Waterloo, NY. The installation involved 13 Rinnai LS94i's with eight of the units feeding two 325 gallon tanks which provide hot water to 113 guest rooms. On initial fire-up the tanks shot up from 45 degrees to 135 degrees in 22 minutes with 8 showers running in order to flush the system. The other five units feed a third 325 gallon tank which is dedicated to the in-house laundry facility.

Since the installation the hotel has had all 113 guest rooms fully occupied and there has been zero problems supplying hot water. In fact, management is thrilled with the system and has already recommended it to other franchisees!!

"The project came out beautifully and both the contractor and owner are ecstatic. We are having tremendous success with this program in New York and I am definitely an advocate for the implementation of a Commercial Water Heater program in all locations." – Scott Peggs, General Manager Rochester, NY (2384)



News & Announcements ~ Endries International, Inc

Endries International Named a Top Supplier

Press Release, April 2008

Scotsman Ice Systems, an Enodis company, has recently awarded Endries International the 2007 Scotsman Ice Silver Award as an outstanding supplier in total quality management. The supplier criteria for this award included Quality DPM (defects per million), delivery excellence, inventory optimization, and overall cost reduction.

Scotsman has focused on incorporating lean strategies and global supply initiatives in their manufacturing process and Endries International has supported them in this regard. "The close collaboration of our two world-class companies has allowed us to provide Scotsman with significant cost savings and operational improvement." According to Pat Riley of Endries International. "Our associates accomplish this by leveraging the global strengths of both companies to achieve lower costs, an improved supply chain and quicker product development for Scotsman's worldwide customer base."

Through its two operating groups, Global Food Service Equipment and Food Retail Equipment, Enodis plc has manufacturing facilities in North America, the UK, Western Europe and Asia and a large portfolio of premium brands including Cleveland™, Convotherm®, Delfield®, Frymaster®, Garland®, Icematic®, Ice-o-matic®, Jackson®, Kysor//Warren®, Kysor Panel Systems, Lincoln®, Merrychef®, Scotsman® and Scotsman® Beverage Systems. Enodis is publicly traded on the London Exchange, (ENO).

Endries International, a Ferguson Enterprises Subsidiary, is headquartered in Brillion, Wisconsin and supplies vendor managed inventory (VMI) services to OEM manufactures worldwide. The company, founded in 1970, is a leading provider of class "C" components, fasteners and MRO items, focusing on eliminating non-value added costs throughout the supply chain.



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News & Announcements ~ Ferguson Enterprises, Inc

Commodities Pricing Update

Over the last several months the commodity situation has begun to heat up much like it did in 2004. The rising cost of raw materials and overwhelming demand for finished products is forcing manufacturers to reject orders even where pricing is only a few days old and renegotiate higher pricing with wholesalers.

For Steel products, this situation continues to escalate with increases being announced almost daily. Mills and wholesalers are beginning to discuss "allocations" and the possibility of "price in effect time of shipment" options. This situation is not expected to get any better until at least the 4th quarter 2008.

It is not time to panic, but it is very important for you to completely understand the current situation with commodities and that supply is tightening for these product groups. Market demand for many of these product groups is expected to stay strong and the supply situation is expected to tighten further making availability a major concern over the next few months for both wholesalers and end users.

The information below is to help you understand the increases that you have seen over the last few months as well as share with you anticipated future market trends and the potential increases that remain to be announced.

STEEL PIPE

Prices for both domestic and import pipe continue to rise to unprecedented levels with no apparent end in sight. Coil prices are up 51% over the low number seen last fall and domestic pipe prices have risen by 30-60% depending on the type and size of the material. Prices are expected to continue this upward trend through the summer.

Availability has become a huge issue in the market and will be the overriding factor going forward as opposed to price being the sole issue when quoting jobs. Lead times from both domestic and import sources have become extended and deliveries to Ferguson are well beyond the original promised dates.

Several mills have their distributors on allocation with limited access to material.

Availability of steel pipe is becoming extremely tight and to this point Ferguson has been able to avoid delays in shipping by utilizing central distribution inventories. This condition is expected to change as market conditions continue to deteriorate.

WELD FITTINGS/FLANGES

Domestic – Fittings and flanges have gone up over 12% since the first of the year. Normally, the domestic mills wait until Weldbend changes its list price sheet before following. This year, however, the domestic fitting mills and flange mills have ALL raised their list prices without waiting for Weldbend. Global steel prices are expected to force Weldbend will react soon with a double digit increase.

Import – Import manufacturers rarely allow the difference between import and domestic to vary too much. In fact, import has been moving up at a quicker rate than domestic. Material shortages and increased costs are forcing many of the import mills to allocate the number of tons being shipped to the United States. Flanges particularly are affected by significantly higher prices and tonnage restrictions.

MALLEABLE FITTINGS

Domestic and import malleable has gone up more than 12% and another increase is expected within the next few months, probably in the 7-10% range.

DOMESTIC NIPPLES

Capitol just announced another increase on all welded and seamless nipples, effective in May, 2008. This is on top of a previous increase implemented in February, 2008. Again, further increases are expected in the near future. Nipples are made from steel pipe and CW pipe has gone up over 30-60% this year. The nipple manufacturers cannot continue to absorb material costs for very long.



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ALL THREAD ROD

Due to the continued increase in the price of steel and other production costs such as energy and freight, both domestic and import sources have implemented a series of significant increases totaling more than 35% since February. More increases are expected.

STAINLESS STEEL

Stainless Steel pricing continues to fluctuate based on prices for nickel, chromium, molybdenum, and iron. Pricing is not anticipated to return to the price levels experienced during mid-year 2007 but prices are expected to increase during the remainder of the 2nd quarter 2008.

Stainless Steel demand looks to be relatively strong this year, with a combination of factors including new projects in the U.S., the removal of China as a viable source and the upward movement in raw materials creating a favorable environment for increases.

The recent dumping suit against the Chinese welded stainless steel pipe producers was filed on January 30th. This has removed China as a competitive source and pipe from other countries is higher priced with longer lead times.

Raw materials are beginning to affect the stainless steel market as pricing for Nickel, Ferrochrome and Iron ore move upward. As with copper these metals are impacted by speculators in the market as well as a somewhat limited supply of several metals used in the production of this product.

Availability looks good for both import and domestic stainless pipe but could become an issue by mid-year as demand picks up and mills currently offering product to replace the Chinese shipments struggle to fill orders.

STAINLESS FITTINGS

Fitting pricing remains stable to slightly increasing based on the same raw material costs affecting pipe.

COPPER TUBING

The Comex continues to be the leading indicator of future pricing direction for copper tube. Instability in the price of the Comex is being driven by speculative buying by investors, decreasing international stock piles, and the devaluing U.S. dollar. The investment community has begun to talk bearishly about the copper Comex which may be a sign of the future direction in which it will trade. However, market history shows us that this trend can quickly reverse and head in the other direction.

Demand for copper tube remains good based on recent shipment data. Mill product is down more than 35% from where it was 3 years ago and is expected to continue to decline as copper continues to out price itself from many markets and alternate materials take its place.

With demand declining, the market place for copper tube is expected to become more and more competitive and any upward movement in pricing will be based on further increases in the Copper Comex.

For more information check out the
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FNW IBBM Valves Now In Stock



FNW now includes Iron Body Bronze Mounted (IBBM) Gate, Globe, and Check valves in their product line. These valves complete a staple of iron, bronze, and steel valves from FNW. IBBM Gates (figure 651), Globes (figure 661), and Checks (figure 671) are now in stock in the distribution centers. The valves come with 125# ANSI B16.1 flat faced flanges, ANSI B16.10 face to face dimensions, and are all designed and tested to MSS standards (gates – SP-70, globes – SP-85, and checks – SP-71). Pressure ratings are 200 PSI WOG non-shock pressure from -20°F to 150°F and 125 PSI steam working pressure, saturated steam to 353°F.

Contact Ferguson Valve & Automation (branch 3019) at 503-287-8383 or your Regional FNW Sales Manager for brochure and drawing files.

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