



ITEMS

NEWSLETTER

March 2008

Market update...

Price increase announced for some products only in selected areas



A February 20, 2008 letter to AB&I customers in selected areas announced a price increase on some items in the AB&I product line.

Continuing and unprecedented increases in the cost of scrap iron, the raw material used in the casting of AB&I pipe and fittings, has caused this increase.

With scrap costs up over 30% in the past four months, it has become necessary to increase prices to recover these added costs of production.

"Everybody's on a pretty wild ride right now," said AB&I's Kip Wixson, "and all we're trying to do with this latest increase is get back some of our costs."

This increase is simply a cost pass-through, and only applies to those products whose prices did not increase sufficiently in January to cover the unexpected jump in scrap iron prices.

"We'd like to say the worst is over," said Wixson, "but many of the forces that drive scrap costs are pointing to continued increases over the near-to-mid term."

These forces remain both familiar and unavoidable. Dramatic growth in both China and India has created exceedingly strong demand for iron, making scrap iron a commodity traded on an international scale.

"Costs have risen so much," said Wixson, "that China is now using costly pig iron, instead of scrap, as the raw material for many of its castings, forcing them to increase prices on their products, too." This conversion to pig indicates that any future lessening of domestic demand for scrap will only enable China to return to scrap as a raw material, keeping scrap prices firm or even pushing them higher.

The new prices will become effective March 17, 2008. Copies of the new multiplier sheet will be sent to affected distributors in the coming days. Orders placed before the increase will be for immediate shipment only.

"We realize that contractors are hit hard by unexpected price increases," said Wixson. "We try to give the market as much notice as possible, but these scrap price hikes have come faster than we expected."

"We'd like to say the worst is over, but many of the forces that drive scrap costs are pointing to continued increases over the near-to-mid term."

AB&I has kept the price increase as low as possible to enable basic cost recovery. If scrap prices continue to increase, as some say they will, it may become necessary to increase prices again.

Stay tuned.

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Perspective

The Old is Now New: Contact is King Again

Phone calls are OK, but nothing replaces personal contact in business

AB&I has changed a lot since I first started with the foundry back in the late Pleistocene period. Actually, it was the 1960s, and we were a pretty progressive company for the time. Even though a lot has changed, one thing has stayed the same, and will continue to do so, if I have anything to say about it: we are still people doing business with people.

AB&I is a lot bigger than we were then. We now put out more iron in a day than we used to in....several days (I don't remember our tonnage figures back then). Many of our customers are bigger, too, owing to their prowess as business people, and the trend toward consolidation that has changed plumbing distribution forever.

Even though they're bigger and fancier, and we're bigger and fancier, we still see each other, live and in person, on a regular basis. Sure, we call and talk on the phone, too, but AB&I is firmly committed to the notion that nothing can replace personal, face-to-face contact. It's the backbone of our business, and one of the main things that has brought the foundry to the ripe old age of 102.

I wonder how many larger companies out there are truly committed to maintaining personal relationships with their customers. I know most small companies do, but something happens as companies get to 7 or 8 digits in their annual sales figures. Salespeople become systems managers, poring over papers and files instead of pouring a glass of wine for a trusted friend over a business lunch or dinner. Hey, it happens. We get so caught up in the crises of the day that we forget why we're here in the first place.

I saw an ad for United Airlines once that really grabbed me. The president of a company gathered what appeared to be his senior team together and talked to them about the importance of staying in personal

contact with their customers. At the end of the commercial, he handed out airline tickets to everyone in the room, with the admonition to go see their customers face-to-face. When asked who HE was going to see, he told the group that he would be personally calling on their top three lost customers, to talk to them about coming back. It was a pretty strong ad, one that I remember years later.

How many of us management types have taken the time to go see customers and talk to them about things that matter? How many of us have gone to a former customer and asked them what went wrong, and asked for their business again? My guess is not many. (At AB&I, all managers are responsible for at least one or two customers, year around). We hear the comments from the field. We know, first hand, what's going right and what needs improving. When a salesperson comes to me and says that so-and-so isn't happy about this or that, I know what he means. I understand the pressure he's feeling from his customer, because I've been there. Maybe in the past day or week.

Keeping our customers satisfied and thinking of us as valuable partners in their business should be the most important thing in our business lives. Instead of being a chore, visiting our customers should be seen as a privilege, as an opportunity to form friendships and build bridges to our future.

When was the last time you talked to all your customers yourself? Do you know their biggest challenges? Have you talked to them about how you can help meet those challenges, or do you mainly just take orders and talk football?

Independent distributors are doing well these days. It's easier for them to stay in close touch with their customers. Larger distributors sometimes get a little distant from their customers, managing the selling function as a process, rather than as an exercise in human relations. We'll all do better at our jobs if we

remember that the person placing the order and cutting the checks is a human being first, and a contractor or purchasing agent second.

Raise your hand if you think the congressional hearings on whether Roger Clemens used performance-enhancing drugs or not was a good use of government time and money. What, no takers? Me neither.

Let's hope that, in this election year, Congress will get serious about tackling some truly thorny problems, like Social Security and Medicare funding, ballooning federal deficits, and our declining national highway and bridge infrastructure. I'm not betting on it, but it would be a great thing if we didn't see any committee chairman's face on any news program until they had something substantive to say. I'm not holding my breath.

This whole Roger Clemens, he-said/he-said thing has gotten me thinking about the over-importance of popular culture today. You can't turn on a TV without seeing some bejeweled rapper being arrested, Britney Spears showing more of herself than anybody cares to see, and hundreds of young wannabees trying out for some talent show that promises to make one of them famous for a few days. I haven't run the numbers, but I'm sure that more people have paid to vote for their favorite American Idol than have voted in any recent political election. I'm not against having fun and being entertained, but come-on, people, this is crazy. We spend more on toothpaste than on political, scientific, or economic education in this country. The average man-on-the-street will recognize Brad Pitt, but not Stephen Hawking. They know that Paris Hilton went to jail for drunk driving, but not that Paris, France was occupied by Nazi Germany less than 70 years ago. I don't get it. I just don't get it. Can somebody please explain?

Boomers Retiring**Want to Retire Early with Full Pay and Bennies?
Your Government Wants YOU!****HELP WANTED!**

Don't get caught up in the rat race of the private sector. Join your government today and say goodbye to stress and worries over job loss. Once you're one of us, you're good for life. That's our promise.

As a government employee, you'll get all of the following and more!

- ✓ Great salary
- ✓ Full benefits
- ✓ Career advancement
- ✓ Job security

Best of all, you'll retire up to 20 years before those chumps working for private companies will. And you'll get more while working less in the meantime!

- ✓ Retire as early as 50
- ✓ Nearly full pay for life
- ✓ Medical and dental for life
- ✓ Backed by the government - you can't lose!

Don't be fooled by corporate recruiters - the government is the best deal in town. If you can read, you're in! Call today!

The ad to the left is fictitious. The government doesn't actually make those claims or promises when recruiting young talent. But maybe they should, because the reality of state or federal employment is pretty rosy, far better than is available in most of the private sector (unless you're a CEO who manages to stay out of jail).

State prison guards can pull down \$125,000/year and retire before their kids are out of college. Firemen in Vallejo, California are making up to \$200K a year, while the city verges on bankruptcy.

In Sacramento, multi-story state office buildings are bulging with bureaucrats earning \$70-300,000/year, many of whom retire before they're 55, at nearly-full incomes for the next 30-40 years.

Have you got a deal this good? Probably not, but there's a reason you don't. You need to keep working to pay the state and federal taxes so your retired neighbor can buy a new RV and wave at you as he leaves town (why's he waving with only one finger??)

Is it time that government compensation programs, including retirements, fall more in line with the private sector? Just a thought...

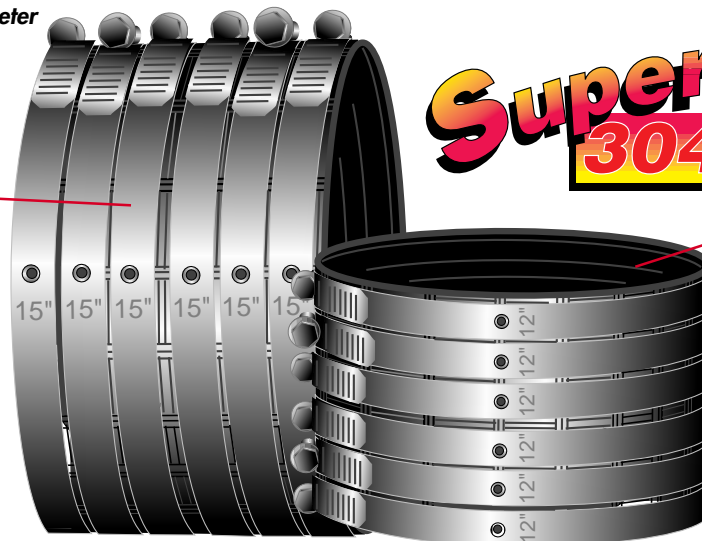
SuperGrip 304 LD 12" & 15" Heavy Duty Couplings

Specially designed for large-diameter applications

Installed with pre-set torque wrench.

Body is 304 corrugated shield with six 304 stainless clamps. These additional clamps provide a more uniformly rigid joint, restricting pipe and fitting movement.

The only no-hub coupling on the market today designed for use with 12" and 15" pipe and fittings.



SuperGrip!
304LD

Neoprene gasket meets ASTM C-564 standard, and features multiple sealing beads, located off center to the overlying clamp bands. When clamped, these gaskets form a slightly conical shape, providing a safe, secure seal.

For "Old Timers" Who Remember the 70s, It Could Be Deja Vu All Over Again

For those with enough gray hair to have been in business during the Nixon administration, current economic news and forecasts are starting to sound strangely familiar. The economy is slowing at the same time prices are going up. Econ 1A taught us that a slowing economy would result in less demand for goods and services, pushing prices lower as providers competed for their piece of a shrinking pie. This downward pressure on prices would result in slow (if any) inflation. Lower prices would spur demand, thus achieving a balance between supply and demand. Yeah, right.

What that Econ 1A analysis did not teach us is the effect of commodity price increases. As shortages occur in strategic commodities (e.g. energy, metals), prices for products created from these commodities increase. This is due to what the economists call "inelastic demand" for certain products, mainly the necessities of life, like food and gasoline. We can't cut the consumption of these products by much as the price goes up. We just pay it.

Stagflation!

If this "cost-push" inflation shows up at the same time the economy is slowing, we get "stagflation" - a stagnant economy along with higher prices.

AB&I has certainly seen this cost-push inflation in the foundry business, as the price for scrap iron, has shot through the roof.

Will America truly see another round of stagflation, like occurred in the 1970s? Economists differ, but some see many of the basic requirements for stagflation developing right now. High energy costs, high raw materials costs, a credit crunch making money less available for consumers and businesses, a softening labor market - all these factors, if they get worse, could lead to stagflation.

The Federal Reserve is lowering interest rates to spur the economy, but this could also encourage inflation. It's a balancing act, and a difficult one at that. The trick is to get the porridge "just right." The months ahead will tell the story.

Just for Fun...

Late-Night Candidate Jokes

Congratulations to presidential candidate Barack Obama. He won a Grammy last night for best spoken word album. Boy, there's four words you haven't heard in the same sentence in a while - 'presidential' and 'best spoken word.' —Jay Leno

As you know, Hillary has lost the last eight primaries in a row. So, any crying you see from now on is going to be real. —Jay Leno

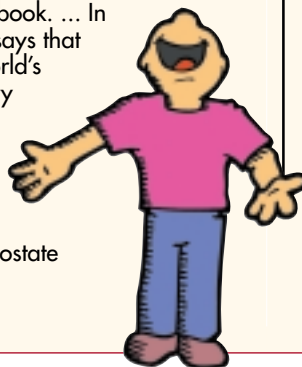
Congratulations to John McCain. Spent five and a half years in prison then went into politics. Usually, it's the other way around. —Jay Leno

Some sad news today for Barack Obama. Did you hear about this? Apparently, he's been endorsed by former candidate, John Kerry. Just when things are going so well. —Jay Leno

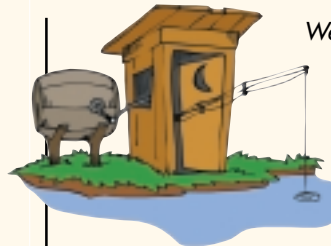
I like John McCain. He looks like an old guy in a coffee shop who's still complaining about the designated hitter. ... He looks like the guy who asks the driver if he's on the right bus. ... Who looks like the guy who's always saying, 'What was that? Nothing? That's what I thought.' —David Letterman

Bill Clinton is out there promoting his new book. ... In an interview, former President Bill Clinton says that most people don't know Hillary has the world's best laugh. Bill added, 'I get to hear it every time she pushes me down the stairs.' —Conan O'Brien

And Senator John McCain was on the Larry King show the other night. He and Larry got in a big argument over whose prostate was larger. —Jay Leno



You might be a redneck if...



We've all heard the old standards, but these may be new to you.

...You think Sherlock Holmes is a housing project down in Biloxi.

...You've been married three times and still have the same in-laws.

...You think TACO BELL is the Mexican

Phone Company.

...Your state's got a new law that says when a couple get divorced, they are still legally brother and sister.

...Your house still has the "WIDE LOAD" sign on the back.

...You think Genitalia is an Italian airline.

...Your sister is the third generation of women in your family to conceive a baby as a result of an alien abduction.

...You think Possum is "The Other White Meat."

...You and your dog use the same tree.

...You think the last words to *The Star Spangled Banner* are "Gentlemen, start your engines."

...The people on Jerry Springer's show remind you of your neighbors.

