



# SFSA CASTEEL REPORTER

Steel Founders' Society of America

a monthly publication  
serving SFSA steel casting industry Members  
847-382-8240 Fax: 847-382-8287  
[www.sfsa.org](http://www.sfsa.org)

## APRIL — 2002

*100<sup>th</sup> Annual Meeting  
The Broadmoor  
Colorado Springs, CO  
September 21-25*



*Plan now to join this celebration of your Society's 100<sup>th</sup> anniversary!*

- *Marlin Fitzwater - keynote*
- *President's Address*
- *2003 Market Forecast*
- *Marty Regalia - economist*
- *Industry Vision*
- *Trade*
- *SFSA Foundation*
- *The beauty of Colorado!*

**Congratulations to Patrick Comparin of Sivyer Steel Corporation on being appointed President and Chief Executive Officer. Pat also serves as SFSA's Marketing Committee Chairman and will be delivering the 2003 Market Forecast at the Annual Meeting in September.**

We were informed of the death of William K. Gibb this month. Bill was the Chairman of the Board and CEO of North Star Casteel Products. He started that business in 1972 and was a strong supporter of SFSA. Bill served on various committees, including the Board of Directors of SFSA. He will be missed!

Persons Available:

A946 - has many years experience in plant engineering: design, layout, construction, installation, maintenance, preventative maintenance, trouble shooting, (facility, mechanical and electrical) CAD and basic computer programming.

Students Available for summer:

Zachary A. Taylor, attending Kent State University and graduating May 2002 with a Bachelor of Science in Electrical and Manufacturing Engineering Technology

Students Available, cont'd

Stephen W. Johnson, attending Tri-State University and will graduate in 2004 with a Bachelor of Science in Mechanical Engineering.

Call Kathi Reese at 847-382-8240 for a complete resume on either of these individuals.

### **2000 DIRECTORIES AT REDUCED PRICE:**

We are offering the 2000 Directories to our members for \$15.00 each. If you'd like to take advantage of this offer, call Kathi Reese at 847-382-8240.

### **EMPLOYERS WHO REPORTED 14 OR MORE INJURIES WILL BE INSPECTED**

Approximately 3,000 worksites that reported high injury and illness rates for the year 2000 are scheduled for comprehensive safety and health inspections over the next year, the Occupational Safety and Health Administration announced April 15.

This is the fourth year OSHA has used a site-specific targeting inspection program which consists of employer-reported injury and illness data received through OSHA's annual Data Initiative. This year's program was based on a 2001 survey of approximately 80,000 worksites (data was from calendar year 2000). The targeting program does not include construction worksites.

Employers who reported 14 or more injuries or illnesses that resulted in lost workdays or restricted activity for every 100 full-time workers can anticipate an inspection sometime over the next year. Employers who reported at least eight, but less than 14, injuries or illnesses are placed on a secondary list for possible inspection only. The

average lost workday injury and illness rate for private industry in the nation is three instances for the same number of workers.

Finally, OSHA will randomly select 200 workplaces that reported low injury and illness rates (from zero to eight) and add them to the primary inspection list. These establishments are all in the 25 highest rate industries that average a lost workday injury and illness rate of eight or greater. Henshaw explained that by adding low injury and illness rate establishments to the program, constructive information can be obtained on the actual degree of compliance with OSHA requirements.

### **MARKET NEWS**

Business continues to be poor with some encouraging signs in the overall economy but less positive news in manufacturing. SFSA trend cards show continued and significant drops in orders for steel castings in February. This same weak market is seen in the shipments of all steel products reported by AISI and the orders and shipments of ferrous castings reported by the census bureau from the Dept. of Commerce. New orders for capital goods have increased since November and the ratio of inventories to orders or shipments has shown improvement. In all categories, shipments exceed orders showing a continued slowdown in demand.

***This month's Casteel Commentary is on a single sheet so that you can use it with your customers if it would be helpful. It concerns the closure of capacity and the likely appearance of short supply in the next few years.***

***(See next page)***



## SECURE SUPPLY OF STEEL CASTINGS

*The overcapacity of steel casting production capability since the significant manufacturing downturn of the mid 1980's has resulted in a complacent attitude on the part of many users. They assume that this oversupply will insulate them from the unavailability of affordable steel castings required for their products. The current weakness in the market and the development of offshore suppliers strengthens the impression of growing supply of steel castings. Unfortunately, this impression is false and the current weak market is laying the ground work for shortages and possible disruptions in supply.*

*The overcapacity of the past two decades has restrained the industry from improved pricing. This restraint has been a boom for users but has come at the expense of the financial health of the steel casting supply industry. As plants struggle to survive, they provide castings at unsustainable prices. These prices must be met by the rest of the market. This inadequate pricing has prevented the industry from recovering the cost of invested capital that is required to make new investments in capacity or capability. Even during the strong market of the mid 1990's, steel foundries were not able to prosper. Several companies tried to improve this situation by consolidating the industry. The inadequate return made the cost of acquisition burdensome and all the large steel casting supplier groups have experienced financial difficulties in the past 24 months. Two major suppliers filed for chapter 11 bankruptcy. One supplier filed for chapter 11 and was liquidated. Several other major suppliers are in violation of their bank requirements and have some challenges to recover financial stability.*

*The current struggle has led many plants to be eliminated. In the past ten years capacity has fallen from 1.56 million tons to 1.26 million tons or 300,000 tons (about 25%). Half of this capacity reduction has happened since the strong demand year of 1998 when the DOC reported the production of 1.328 million tons. Additional capacity may be closed in the next 12 months. If demand merely returned to 1998 levels, the U.S. steel casting industry could not meet the demand.*

*Off shore suppliers have been a factor in the industry, especially in the past 24 months. Much of the interest in offshore supply is the result in compelling prices offered for castings by these suppliers. Much of their attractive pricing is not the result of a sustainable competitive advantage but is an artifact of the strong dollar. The value of the dollar has increased 30% since 1995 and is at a level last seen in 1984. Low interest rates, tariffs and trade restrictions, inflationary pressures will cause a readjustment of the value of the dollar. This could erase the attractive prices and political instability may limit the ability to secure castings from some regions. Users of steel castings in North America should carefully consider their future casting needs and develop reliable suppliers who can meet their needs.*

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STEEL FOUNDERS' SOCIETY OF AMERICA  
MEETINGS CALENDAR

2002

May 7	Specifications Committee, Pittsburgh, PA
May 9	Ergonomic Work Session, Ramada Hotel O'Hare, Chicago, IL
May 13-14	SFSA Marketing Committee Meeting and tour of McConway & Torley Corp., Pittsburgh, PA
May 22-23	High Alloy Research Committee - Meeting and tour of Cannon-Muskegon - Muskegon, MI
June 5-6	Executive Committee, Technical Steering, SFSA Foundation, and Board of Directors meetings, Hilton Hotel, Northbrook, IL
July 23-24	C&LA Research Review Meeting, Ramada Hotel O'Hare, Chicago
August 19-20	Marketing Committee - Rosemont, IL
September 21-25	SFSA's 100 <sup>th</sup> Anniversary Annual Meeting - The Broadmoor, Colorado Springs, CO
November 5	Specifications Committee
November 6-9	National T&O Conference - Hotel Inter-Continental, Chicago, IL
December 2-3	Marketing Committee - Rosemont, IL

2003

September 13-17	SFSA Annual Meeting, The Ritz-Carlton Resort, Amelia Island, FL
November 5-8	National T&O Conference - Hotel Inter-Continental, Chicago, IL

2004

September 11-15	Annual Meeting - site to be selected
November 3-6	National T&O Conference - Hotel Inter-Continental, Chicago, IL

**STEEL FOUNDERS' SOCIETY OF AMERICA  
BUSINESS REPORT**

**SFSA Trend Cards**   3 Mo Avg                  Feb                  Jan  
(%-12 mos. Ago)

**Carbon & Low Alloy**

Shipments	-16.9	-7.7	-31.6
Bookings	-18.4	-17.1	-13.0

**High Alloy**

Shipments	-4.2	-28.0	6.7
Bookings	-5.4	-18.5	0.2

**Department of Commerce  
Census Data**

**Iron & Steel Foundries (million \$)**

Shipments	1,230	1,213	1,248
New Orders	1,227	1,174	1,270
Inventories	1,752	1,731	1,744

**Nondefense Capital Goods (billion \$)**

Shipments	59.7	59.2	60.4
New Orders	58.2	57.3	60.3
Inventories	119.5	118.3	119.7

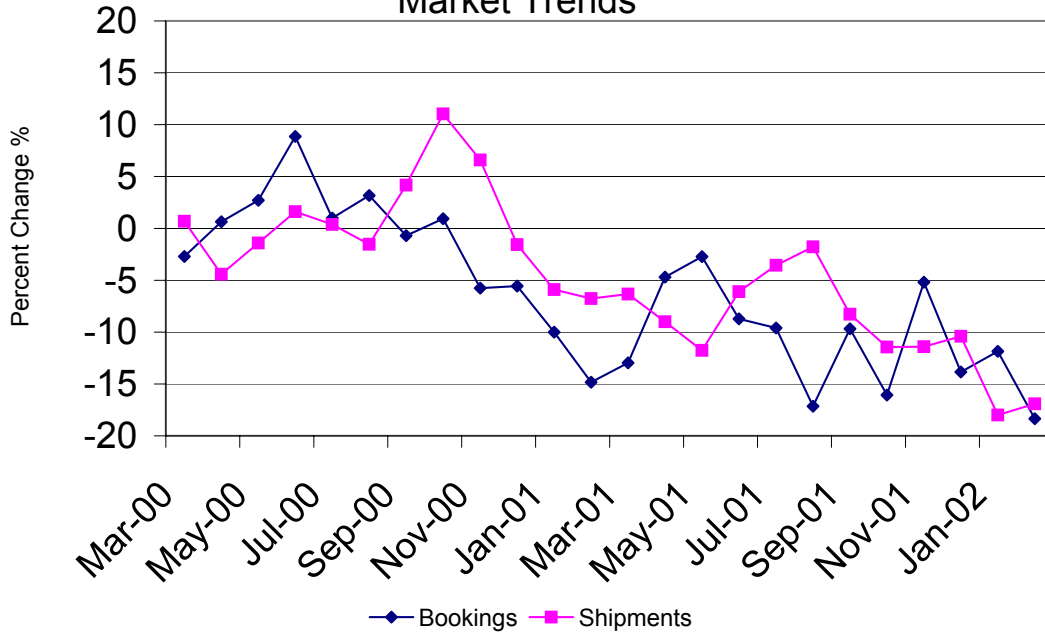
**Nondefense Capital Goods  
less Aircraft (billion \$)**

Shipments	55.3	55.0	56.2
New Orders	54.7	54.3	55.5
Inventories	95.8	94.5	95.9
Inventory/Orders	1.75	1.74	1.73
Inventory/Shipments	1.73	1.72	1.71
Orders/Shipments	0.99	0.99	0.99

**American Iron and Steel Institute**

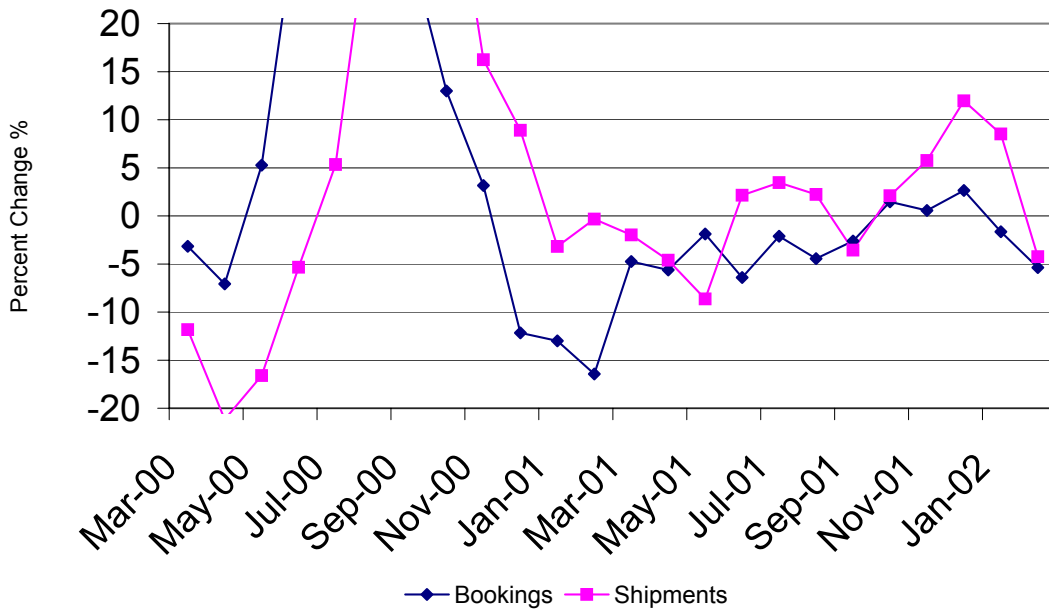
Raw Steel Shipments (million net tons)	7.4	7.5	7.8
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### Carbon & Low Alloy Casting Market Trends



SFSA Postcards

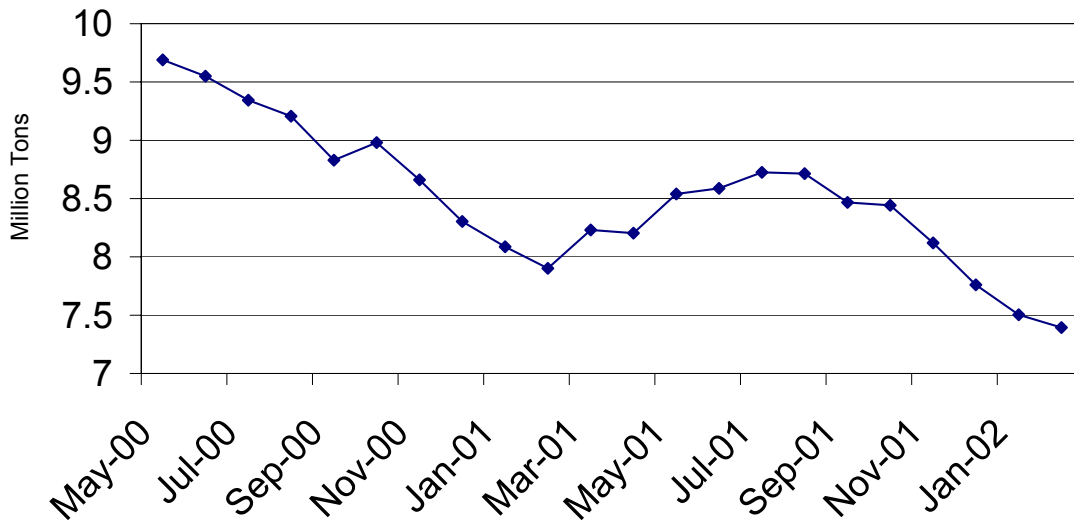
### High Alloy Casting Market Trends



SFSA Postcards

## Raw Steel Shipments

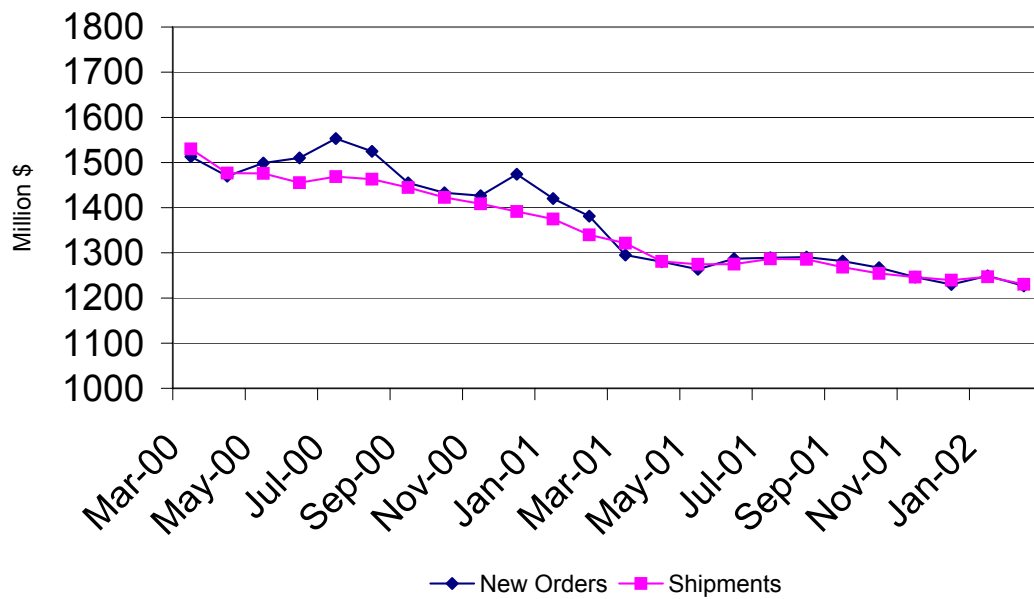
3 month average



AISI Data

## Iron and Steel Castings

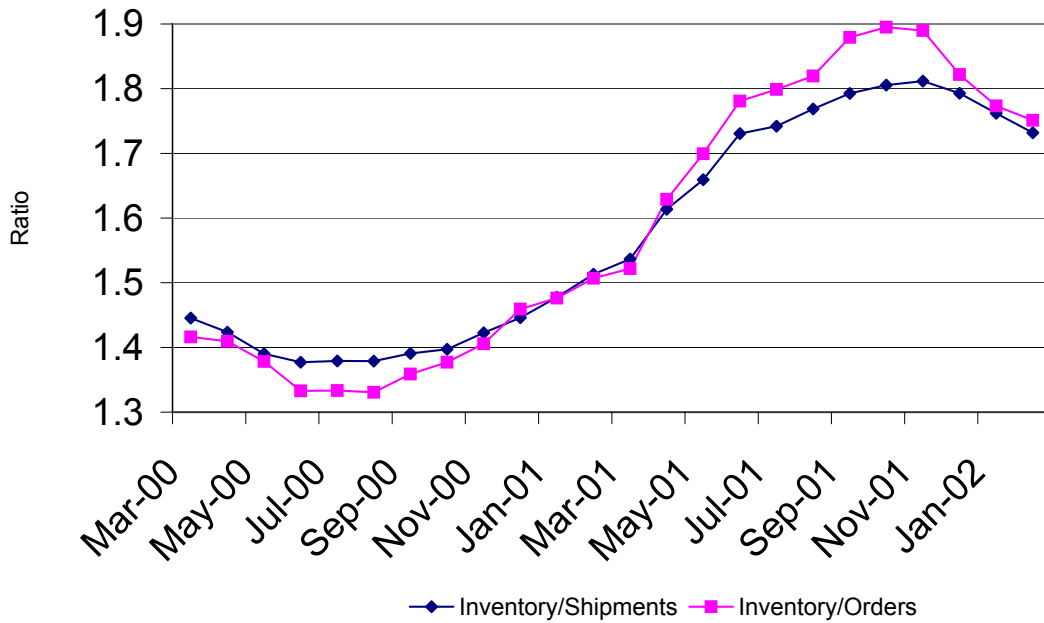
3 month average



SFSA

### Nondefense Capital Goods less Aircraft

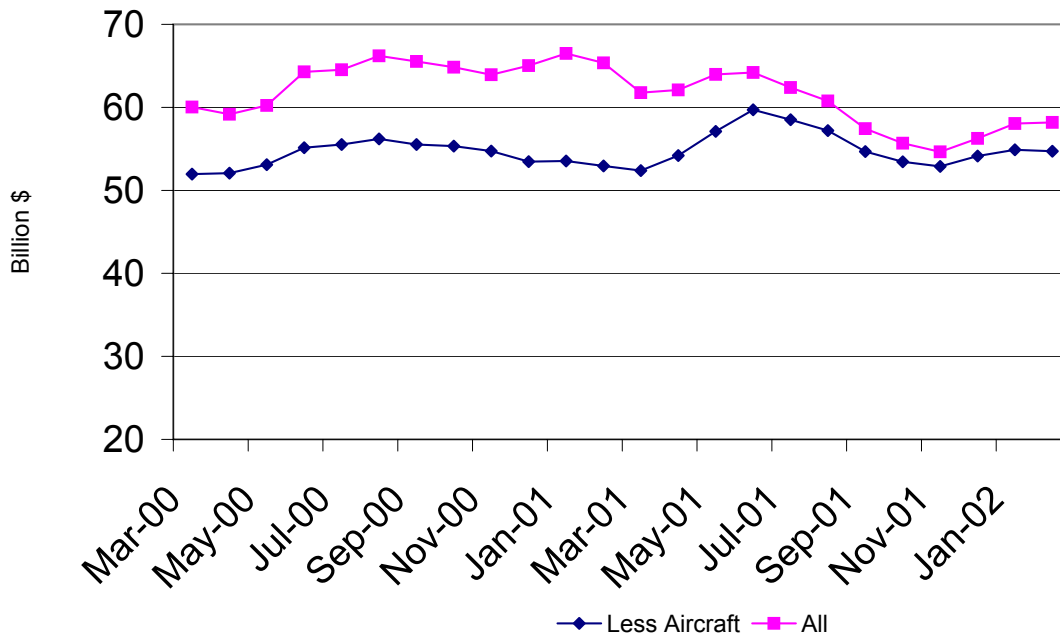
3 month average



Department of Commerce

### Nondefense Capital Goods New Orders

3 month average



Department of Commerce