



SFSA CASTEEL REPORTER

Steel Founders' Society of America

a monthly publication

serving SFSA steel casting industry Members

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www.sfsa.org

JULY — 2002

THE
BROADMOOR
The 100th Annual Meeting Registration packages were mailed out mid-June. If you didn't get yours or need another package, call



or e-mail Kathi Reese (kathi@sfsa.org). This is a picture of the pool at the new Spa at The Broadmoor in Colorado Springs.

Casteel Commentary Highlights:

Survival requires that we not concede desperation pricing. Destroying the industry to retain market share is irrational. While firms at the point of failure may resort to desperation, we need to manage our companies to survive and prosper. Preserving cash and capability is key.

Research Review Meeting:

There will be a Research Review Meeting for carbon & low alloy research on July 23 and 24. It will be held at The Ramada O'Hare. Contact Barbara Linskey for more details.

Online Data Base of Tooling:

Please see the attached notice from the Non-Ferrous Founders' Society. They are seeking

participants from the cast metals industry to populate an online database of defense tooling.

Market News:

Business in steel foundries remains poor in most market segments. The low levels of business have led some firms to desperation in an effort to survive, hurting the ability of all firms to gain an adequate return. The SFSA trend cards show improvement in high alloy casting markets with a stable pattern of orders and shipments. The carbon and low alloy casting market continues to see soft bookings. This pattern of slow business is mirrored in the DoC report on iron and steel foundries reaching a two-year low in orders and shipments with orders still well below shipment levels.

Steel shipments are up as reported by AISI but remain well below recent shipment levels. This improvement may be the direct result of the success in this industry in receiving relief from unfair trading practices through a 201 case finding. Orders for non-defense capital goods remain below the level of shipments indicating ongoing contraction in those markets.

On a positive note, the recent fall in the value of the dollar will go a long way to reduce the attractiveness of overseas supply. Low interest rates and a strong economy makes a recovery likely, but little evidence of improving manufacturing demand is evident. Business levels should increase by the year's end but the improvement may be slow and modest.

Casteel Commentary:

Now is a time to conserve cash and survive. This was the comment of one of the steel foundrymen I talked to this week. With poor demand, desperation pricing, financial instability of the industry, we must manage the business to survive the current crisis.

Uncertainty in the future outlook has limited the capital investment in capital goods that is vital to our economy and especially to our industry. While the federal government is spending real money beyond their means, the private sector has been reluctant to invest. The strong dollar, the lack of capital, the uncertainty of the war and future policy makes it a difficult investment environment. The fall in equity markets is symptomatic of the unwillingness to invest. When this unwillingness carries over to manufacturing, capital investment languishes and demand for steel castings plunges.

The financial instability of our industry, the lack of equity and capital, and the import of product from overseas has thrown some steel casting makers into desperation. This desperation can be seen in pricing that is unsustainable. Our industry has been liquidating capacity through pricing that fails to recover capital. This inadequate return on capital placed the industry in a precarious position. Strong business conditions through much of the 90's led some to refinance and others to reduce their reserves of working capital. The weak condition of steel casting producers and low demand has driven some to secure market share through pricing that cannot be sustained. Stronger firms must either meet these prices or lose market share. The closure of capacity is already severe and pressure from customers may lead to added closures.

The poor business conditions, the lack of investment capital, and the reduction of equity by

private owners make the industry financially unstable. This instability further reduces the ability to attract investment. The burden of regulation, the shifting of lending standards, the failure of large firms makes the steel casting industry unattractive to equity investment.

As business conditions improve, sound steel foundries will be able to prosper, but they must first survive. We must resist the temptation to concede to desperation pricing. If an acceptable rate of return is not possible, it is better to forgo the loss. Preserving cash and capability is essential for the future. Surviving the present hour must not be done in a way that destroys the future. We must continue to run the business to satisfy customers, maintain financial stability, and preserve our value to our community.

Raymond Monroe



STEEL FOUNDERS' SOCIETY OF AMERICA
MEETINGS CALENDAR

2002

- July 23-24 C&LA Research Review Meeting, Ramada Hotel O'Hare, Chicago
- August 19-20 Marketing Committee - Rosemont, IL
- September 12-13 Western Division Meeting and Tour of ME Global - Tempe, AZ
- September 21-25 SFSA's 100th 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 Apr Mar
(%-12 mos. Ago)

Carbon & Low Alloy

Shipments	-9.3	2.1	-22.2
Bookings	-23.6	-29.0	-24.6

High Alloy

Shipments	1.4	21.0	11.2
Bookings	-2.6	10.7	0.0

**Department of Commerce
Census Data**

Iron & Steel Foundries (million \$)

Shipments	1,225	1,262	1,199
New Orders	1,199	1,247	1,177
Inventories	1,718	1,709	1,713

Nondefense Capital Goods (billion \$)

Shipments	59.1	59.1	59.1
New Orders	56.6	56.8	55.6
Inventories	116.4	114.8	116.2

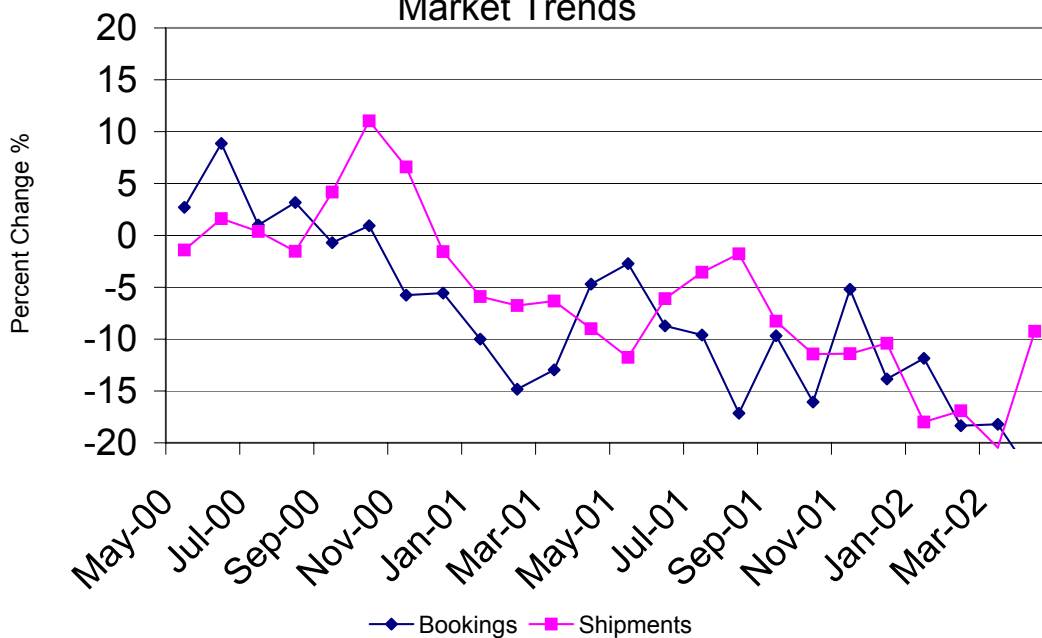
**Nondefense Capital Goods
less Aircraft (billion \$)**

Shipments	54.8	55.0	54.5
New Orders	53.8	54.6	52.4
Inventories	93.9	93.3	93.9
Inventory/Orders	1.75	1.71	1.79
Inventory/Shipments	1.71	1.70	1.72
Orders/Shipments	0.98	0.99	0.96

American Iron and Steel Institute

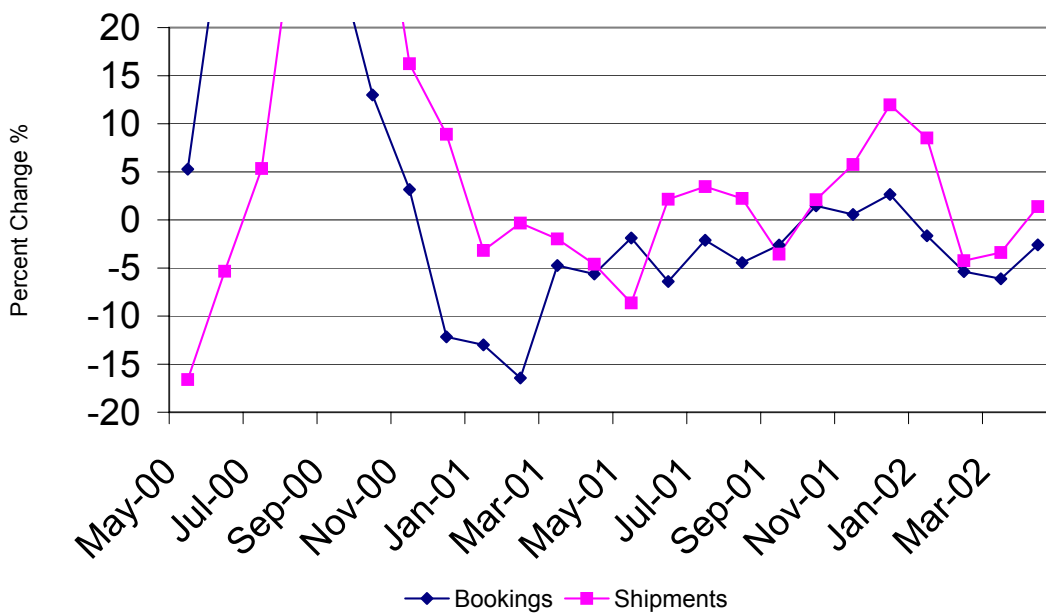
Raw Steel Shipments (million net tons)	8.1	8.6	8.3
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Carbon & Low Alloy Casting Market Trends



SFSA Postcards

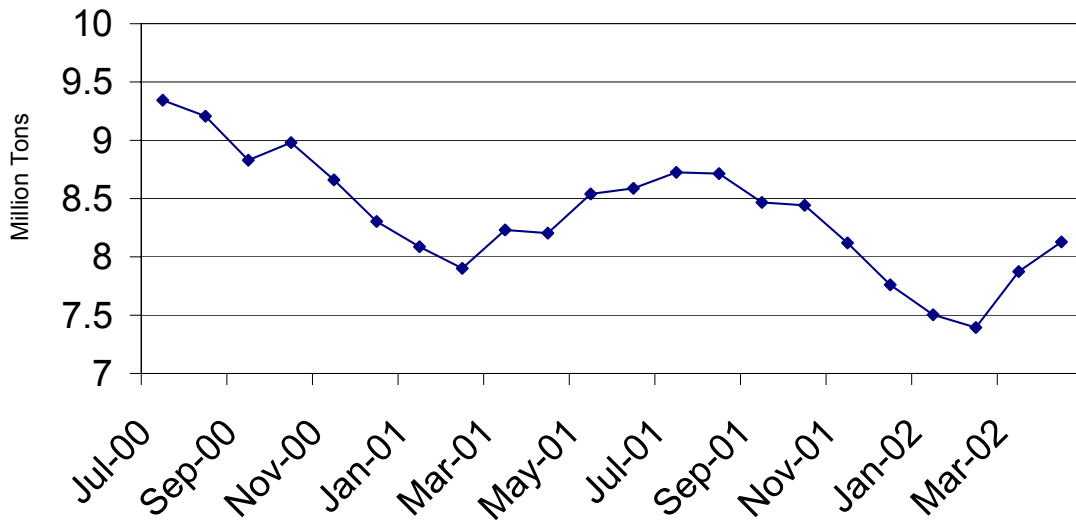
High Alloy Casting Market Trends



SFSA Postcards

Raw Steel Shipments

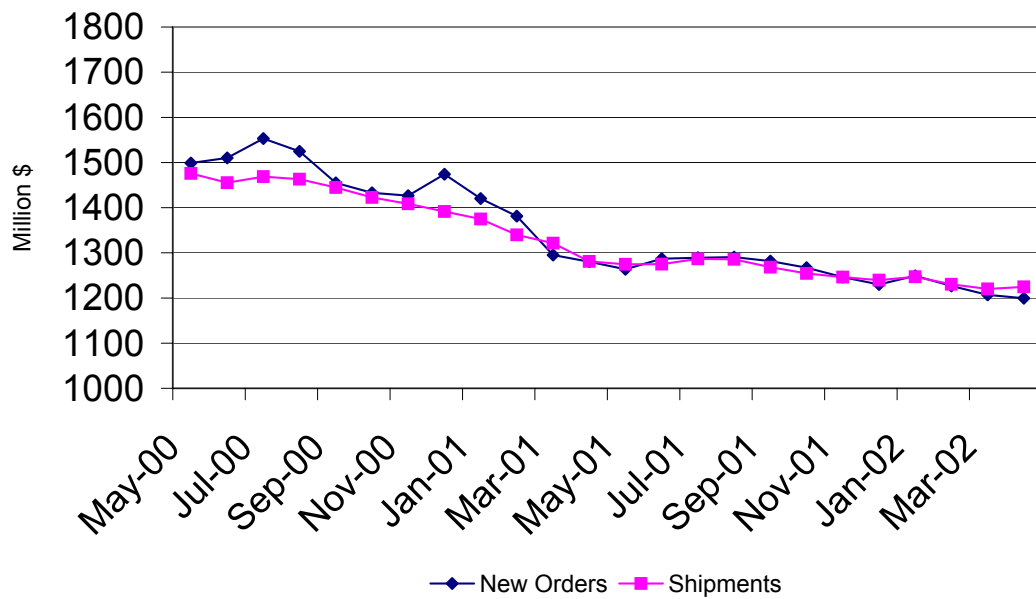
3 month average



AISI Data

Iron and Steel Castings

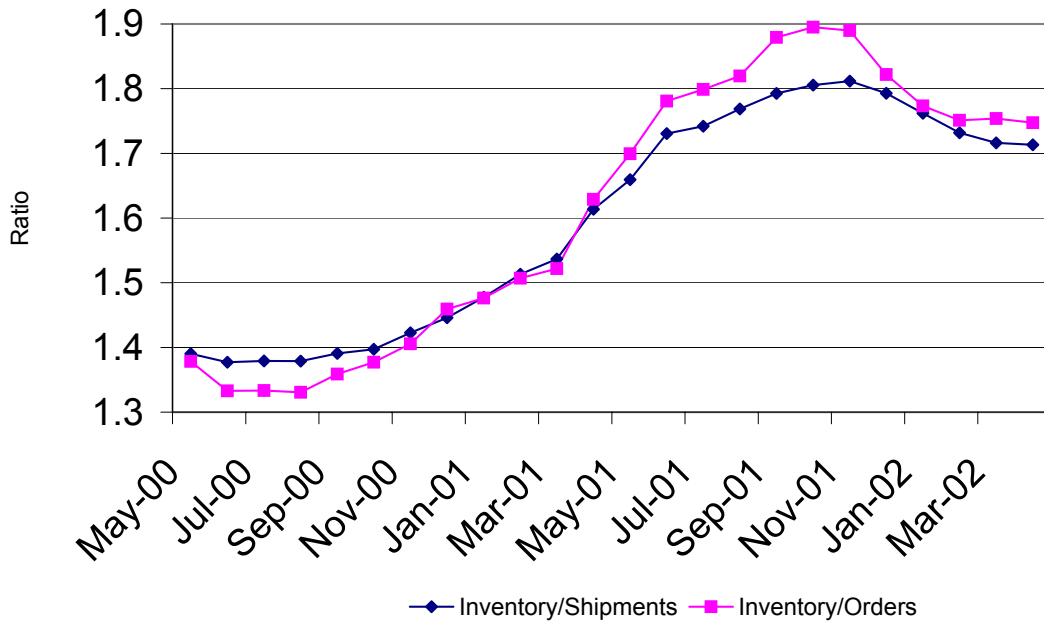
3 month average



SFSA

Nondefense Capital Goods less Aircraft

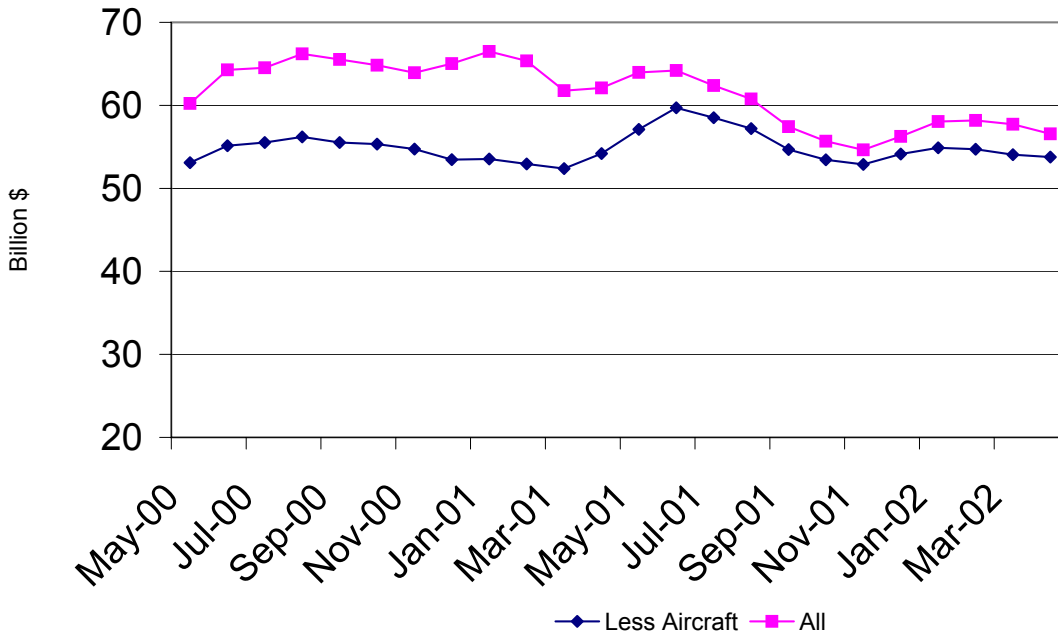
3 month average



Department of Commerce

Nondefense Capital Goods New Orders

3 month average



Department of Commerce

WE WANT YOUR TOOLING!

The Department of Defense struggles to find sources for spare and repair cast components for their weapons systems. That is because every year government procurement agencies purchase thousands of different cast metal parts for a variety of applications. Each of those cast parts requires tooling, the cost for which is built into the bid by the contractor. Typically, however, there are no practical resources available to identify who produced those parts in the past. Metalcasters today hold literally thousands of defense-related tooling for these parts in inventory waiting for follow-on orders. With limited resources to make it known that tooling and experience exist to supply components being sought by the government, new tooling is often constructed wasting valuable money and lead-time.

To address the problem in the federal procurement process, in January 2001, the Non-Ferrous Founders' Society was provided a contract by the Defense Logistics Agency (DLA) to develop an online database of defense tooling residing in foundries for the use of government procurement officials. The creation of an online searchable database of federal casting procurements will not only avoid costs and compress lead-time, by enabling government agencies in locating, sourcing, and procuring replacement parts for in-service weapons systems, but to also allow government buyers to recall casting process models, so that older items, which have not been made for a number of years, can be put back in production quickly with minimum risk. Furthermore, this database provides a tool for evaluating foundry products and processes for best value source selection.

If your not utilizing the defense tooling in your business, chances are someone else is making those parts for the Government. Why not put your company back on the bid list? This tooling database can do just that for you by providing government buyers the information needed to re-establish the link to previous suppliers like you.

Even if the all of the defense-related tooling in your business is currently active, our experience to date suggests that a majority of the cast parts produced for the Government are utilized by more than one weapon system and may be purchased by several prime contractors. Therefore, your foundry may gain opportunities to secure additional business by listing your active tooling in the database as well.

NFFS is currently seeking participants from the cast metals industry to populate this database. Any metalcaster that produces defense-related components qualifies for inclusion in the database, regardless of process or materials. We will come out to your facility and conduct the data collection, so there is no cost and little time commitment on your behalf. The success of this project depends on foundry professionals like you.

If you are interested in making a good investment for the opportunity of new business, please contact:

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