



SFSA CASTEEL REPORTER

Steel Founders' Society of America

a monthly publication

serving SFSA steel casting industry Members

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www.sfsa.org

MARCH — 2002

Casteel Commentary Highlights:

The Casteel Commentary discusses the steel tariffs and what are some of the effects on our own steel casting marketplace. During the current weak business conditions, we must make sure that we remain able to compete and are prepared for the future in the global market.

EPA MACT Hammer:

Steel foundries are still not resolved by the U.S. EPA. They would still intend to delist us as a category but there are still some issues outstanding. If they cannot delist, we will need to organize a group of steel foundries to work on the standard. More pressing, without delisting, steel foundries that would be major sources will need to notify the permitting authority by May 15, 2002.

On March 6, EPA issued a final rule pertaining to Section 112(j) of the Clean Air Act (subpart B of 40 CFR part 63), also known as the MACT "hammer". As a result, iron and steel foundries subject to the MACT standards under development by EPA must submit only Part A of the notification required by the May 15, 2002 deadline.

Under the Clean Air Act, EPA is required to develop Maximum Achievable Control Technology Standards (MACT) for different industry sectors. The development of these standards was staggered and the final group of rules was due by November 15, 2000. If EPA failed to finalize any of the MACT standards by the statutory due date, the law contains requirements

for implementing a "hammer provision" to begin the process of case-by-case standards beginning on May 15, 2002 (18 months after EPA missed the deadline for issuing the final set of MACT standards). Since EPA failed to issue the iron and steel foundry MACT standards by the November 2000 deadline, potentially affected sources in these categories must comply with the MACT hammer provisions.

EPA's March 6th rule outlines the schedule for implementing the MACT hammer. It calls for sources affected by the hammer, which includes iron and steel foundries, to submit by May 15, 2002 only a Part 1 application (essentially notification to the permitting authority that they are affected by one of the MACT standards that has not yet been established). The deadline for the Part 2 application, which must include descriptions about emission points and other details, has been postponed until May 15, 2004. A schedule will follow for case-by-case MACT.

The final rule is available on EPA's website at www.epa.gov. For more information about the specific requirements for the Part 1 application, contact Gary Mosher at AFS Headquarters.

CMC:

As a part of our CMC program, we are working with the DOE industry assessment centers (IAC) to improve the energy efficiency, productivity, and reduce waste in steel foundries. This program uses engineering students to do an assessment of plants in their region and suggest

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improvements for the operation. These assessments are available to SFSA members. If you are interested in finding out how you could get one of these assessments in your plant please call to 847-382-8240 or e-mail at monroe@sfsa.org.

“Envision the Future”:

What do you think the future of the Metalcasting Industry should look like? Catch a glimpse at cmc.aticorp.org, where a Metalcasting Industry Vision is posted. Click on the “2002 Metalcasting Vision” button and fill out the comment form by April 8. This Vision was crafted by industry leaders and members of the Cast Metals Coalition (CMC) but is not complete without your input!

Ergonomics Workshop:

Mark your calendars for May 9 when an Ergonomic Work Session is planned near O’Hare airport. The session will be hands-on, interactive and tailored to your needs. Call SFSA or e-mail barbara@sfsa.org for more details.



100th Annual Meeting:

Planning for our 100th Annual Meeting at The

Broadmoor Hotel/Resort for September 21-25 is progressing very well. Come and be taken back in time to the years of “Teddy Roosevelt” at our Sunday evening Theme Dinner. And you’ll certainly enjoy the Air Force Academy Men’s Choir during our Industry Banquet. Our keynote speaker for the business sessions is Marlin Fitzwater and other topics will include an Economic Forecast, Industry Vision, 2003 Market Forecast, Government Affairs, and US Trade. And, if you’ve never seen the Garden of the Gods in Colorado Springs, you’ll be amazed at the beauty! If you care to, you may ride to the top of Pikes Peak as well. Plan now to attend and help celebrate this rare occasion—100 years!!!

Market News:

Business conditions for our industry dropped again in January according to SFSA Trend Cards, AISI steel shipments and DoC census tracking of ferrous foundries. The SFSA Trends show a double digit fall in bookings and shipments for carbon and low alloy castings. High alloy castings showed weak bookings but stronger shipments. Steel shipments fell to the lowest level in two years. Iron and steel casting shipments and new orders remained low.

The report for capital goods was more positive showing increases in orders and reduction in inventories. The underlying strength of the economy, the robust spending of the federal government, the stimulative fiscal policy will all contribute to an upturn in business. Depleted stocks of inventories will also add demand. Future uncertainty and a weak dollar making imports attractive will inhibit recovery.

Demand should continue to climb through the year. Difficult financial circumstances and volatile market conditions will continue to challenge our industry.

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Casteel Commentary:

Steel import tariffs will not directly effect the market for steel castings. Unfortunately, many customers and the public perceive that we are protectionists because we make steel and steel is getting special treatment with tariffs.

The full story on steel is more complex and not reported. Steel trade is not an effective marketplace because most competitors are not subject to bankruptcy. Their local and national government will provide loans, loan forgiveness, and protection to keep the mill running. Unproductive mills operate inefficiently to generate hard currency in international trade. The strength of the dollar which has a distorting effect on our export import balance makes export of steel to the U.S. a useful strategy. More than the lower cost of labor and smaller burden of regulation, a strong dollar, access to extra market capital, and protection from failure makes the trade in steel a competition that the U.S. producer cannot win. Even the most efficient mills in the U.S., like NUCOR, cannot withstand the onslaught of protected competitors which cannot fail. The tariffs proposed are designed to pressure other producers to remove inefficient production. While a market mechanism is preferable, the unwillingness of other countries to allow plants to be closed makes the market inefficient.

The steel producers were not content merely to gain help in removing inefficient mills that were protected by other countries. They saw their political position as strong enough to try to get support and relief from their own commitments for retirement and medical benefits for retirees and near retirees. They wanted federal takeover of their own obligations which are unaffordable. They pointed out that the entire bailout of their

retirement obligations would cost less than one year of farm subsidies. As we in the steel foundry industry know all too well, life is not fair.

Even though we will not receive any direct relief from the steel tariffs, we should see a contribution to improved business. The confusion over what is covered and how by the tariffs will cause some users to prefer domestic sources. The trade action is likely to dampen some of the enthusiasm of some purchasers for global sourcing. The strength of the dollar due to low interest rates, lax spending, and trade restrictions is likely to weaken and make domestic sources more attractive. The purchasing policies of major customers may shift in favor of domestic suppliers.

The most important factor for our future is the development of a robust growing market. While we would prefer not to deal with the distorted and confusing market conditions, we need to have the highest quality, lowest cost, most efficient manufacturing capability in the world. The strategic needs of our industry are not the least regulation or lowest labor rates, but the cleanest, safest processes which use the labor most efficiently. Our industry needs new markets and applications with high value added and stringent requirements which can only be made in our own world-class plants.

Raymond Monroe

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STEEL FOUNDERS' SOCIETY OF AMERICA MEETINGS CALENDAR

2002

April 4	National T&O Committee - Ramada Hotel O'Hare, Rosemont, IL
April 5	Carbon & Low Alloy Research Committee - Ramada Hotel O'Hare
April 8-9	AFS Government Affairs Forum on Trade, Washington DC
April 12	North Central Division Meeting, Milwaukee, WI
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 th 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 Jan Dec
(%-12 mos. Ago)

Carbon & Low Alloy

Shipments	-18.0	-31.6	-11.5
Bookings	-11.9	-13.0	-25.0

High Alloy

Shipments	8.5	6.7	8.6
Bookings	-1.6	0.2	2.2

**Department of Commerce
Census Data**

Iron & Steel Foundries (million \$)

Shipments	1,247	1,248	1,230
New Orders	1,249	1,270	1,236
Inventories	1,789	1,744	1,780

Nondefense Capital Goods (billion \$)

Shipments	59.9	60.4	59.7
New Orders	58.1	60.3	56.9
Inventories	121.0	119.7	120.5

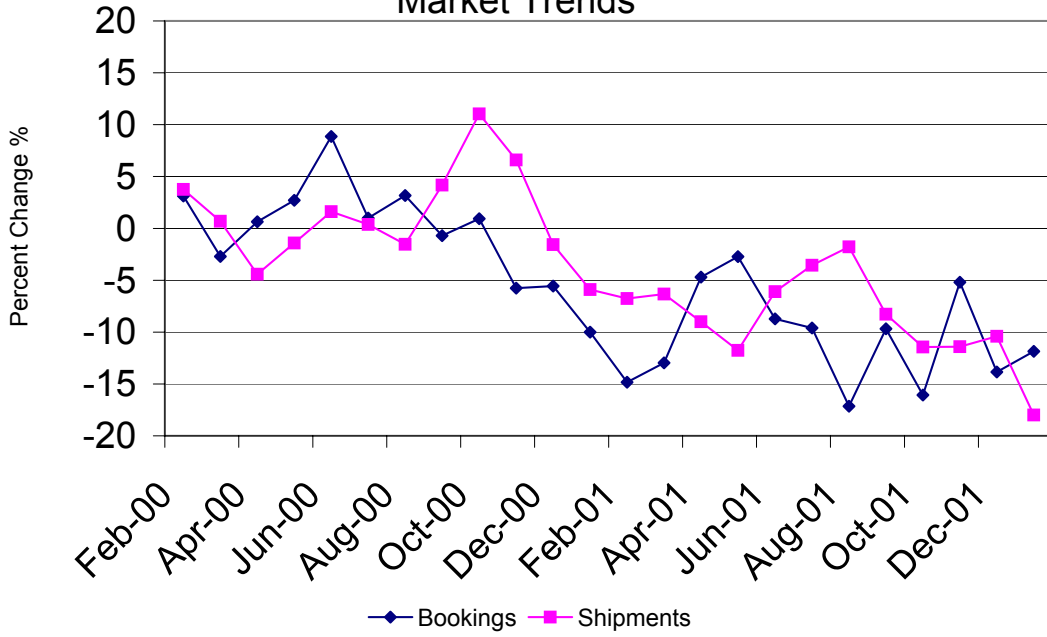
**Nondefense Capital Goods
less Aircraft (billion \$)**

Shipments	55.2	56.2	54.8
New Orders	54.9	55.5	54.3
Inventories	97.3	95.9	97.0
Inventory/Orders	1.77	1.73	1.79
Inventory/Shipments	1.76	1.71	1.77
Orders/Shipments	0.99	0.99	0.99

American Iron and Steel Institute

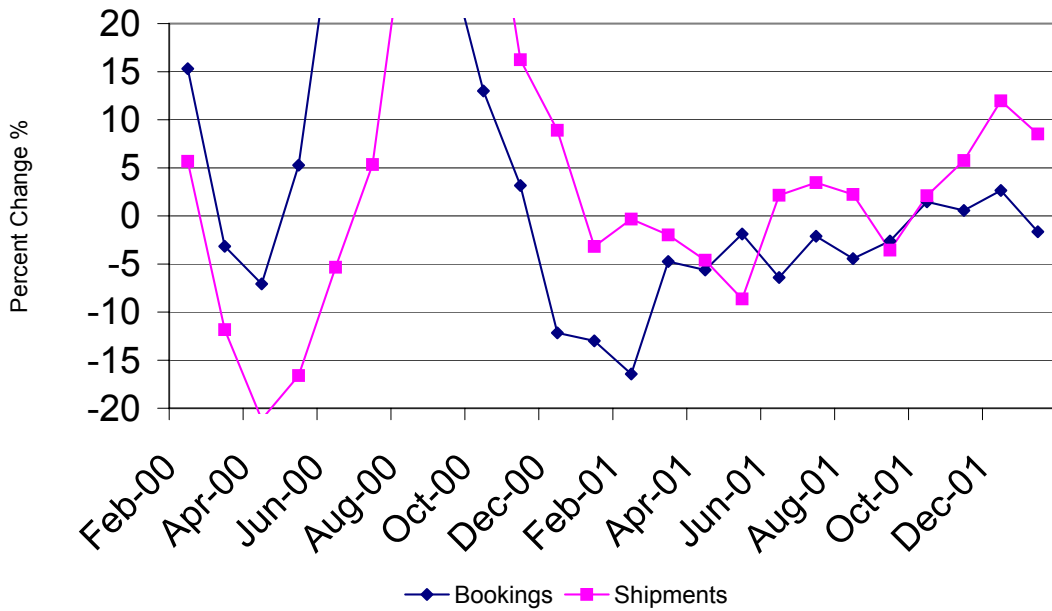
Raw Steel Shipments (million net tons)	7.5	7.8	6.9
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Carbon & Low Alloy Casting Market Trends



SFSA Postcards

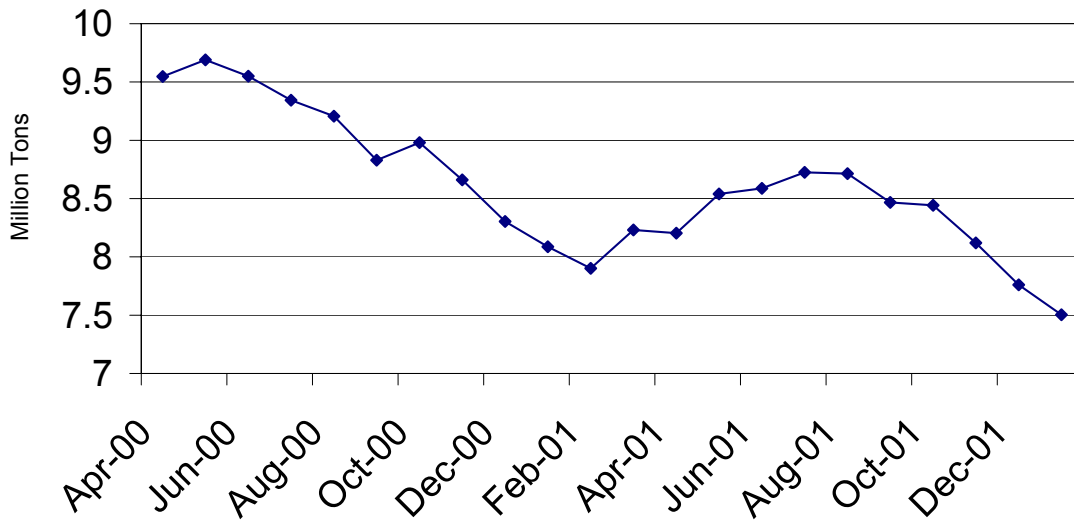
High Alloy Casting Market Trends



SFSA Postcards

Raw Steel Shipments

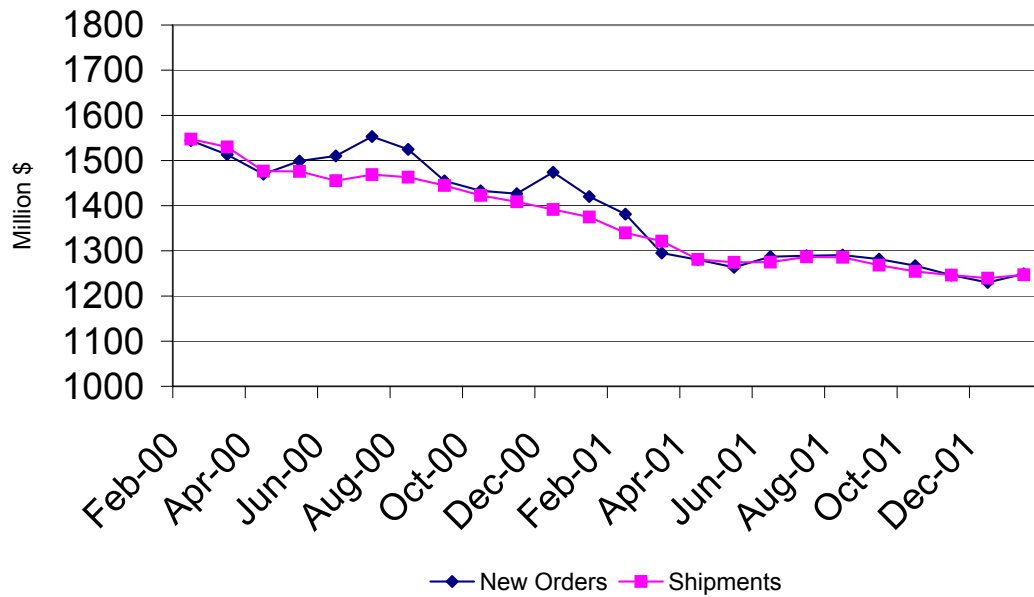
3 month average



AISI Data

Iron and Steel Castings

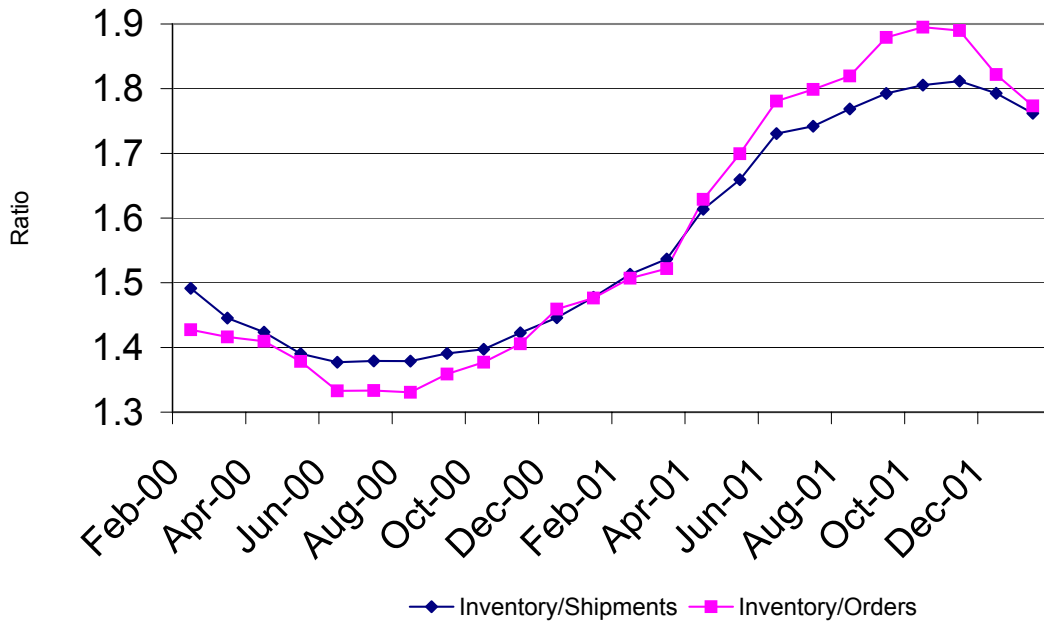
3 month average



SFSA

Nondefense Capital Goods less Aircraft

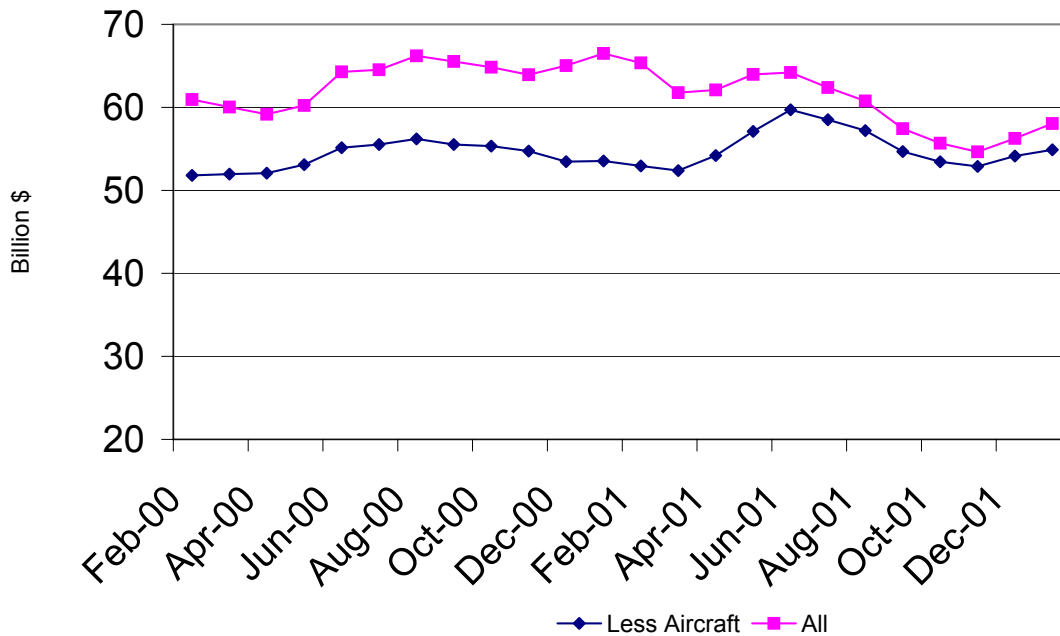
3 month average



Department of Commerce

Nondefense Capital Goods New Orders

3 month average



Department of Commerce