



SFSA CASTEEL REPORTER

Steel Founders' Society of America

a monthly publication

serving SFSA steel casting industry Members

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Casteel Commentary this month looks for opportunities in the challenges we face. Lack of qualified people, lack of capital to invest, lack of labor productivity are significant issues for steel foundries and our customers. Perhaps we should view these issues as marketing opportunities and use innovative approaches with steel castings to improve our customers' businesses.

The 100th Annual Meeting was wonderful. The Broadmoor is looking better than ever before. In spite of the current business climate, we had 75 people to help us celebrate this milestone for SFSA. The Business Session presentations and pictures of our meeting will be posted on the SFSA website soon. You will receive a separate mailing telling you how to access this information when it is available.

Market News

July bookings for steel castings were up in all areas based on the SFSA trend card reports. Iron and steel casting activity hit a low point in April and has been improving slightly since then, according to the Department of Commerce business survey. Steel production and capital goods orders are no longer falling and have remained stable since April as well. Business levels remain low and optimism of a sharp recovery has faded. Capital investment should pick up next year but it remains unclear how much or how fast.

Low interest rates, inflation, and inventories provide plenty of room for significant

improvements in business conditions.

Significant increases in government spending provides plenty of fuel for growth, either real or inflationary. Lack of capital to invest, a strong dollar, and the uncertainty of war are restraining the market for steel castings. Business remains poor for most steel casting producers and survival through managing costs remains the strategy.

*****This is the last Casteel Reporter to be mailed in hard copy. From now on, we will need your e-mail address to let you know that the monthly newsletter is available at our our web site www.sfsa.org. Please e-mail Kathi at kathi@sfsa.org to give us your e-mail address. *****

Casteel Commentary

At the SFSA 100th celebration, three issues that confront our industry were identified: lack of qualified people entering the industry, lack of capital for investment, and lack of productivity to compete in the global marketplace. Each steel foundry will need to develop a plan to address these three issues. These issues however are not unique to steel foundries, they confront most manufacturers, including our customers. We may be able to use these challenges that our customers face to create new casting designs and applications.

The lack of qualified people entering the industry will make the traditional manufacturing

skills and designs less attractive to our customers. Their inability to understand manufacturing processes and capabilities may allow steel foundries to propose new products or innovative designs. By providing solutions and experience in applications, material selection, and component design, a steel foundry can gain business.

The lack of capital limits all manufacturing. One approach to developing casting business is to provide a casting design that requires less capital investment at the customers plant. At Saturn, the foundry investment was justified by the cost avoidance of reducing machining. The elimination of one significant machining step as a result of better casting tolerances saved more capital than the casting operation cost. In addition to looking for hog out machined parts, part consolidation, complex fabrications, or large structural parts, we should ask our customer about where they are capital equipment constrained and look for casting solutions. We know this is a concern because our customers are already moving the rough machining to their suppliers. Finish machining may be needed. In any case, castings may reduce the capital investment required in our customers operation and this could generate new business.

Improving labor productivity is needed in all manufacturing. Successful global competitors reduce the incentive for customers to find low labor rate suppliers by reducing the labor content of their products. Can innovative casting design reduce the labor required in a product? Can the casting supplier provide some assembly or packaging that reduces the total labor in the product? How can we help our customers by improving his labor productivity with the steel casting process?

These three issues may provide a new way for steel foundries to add value and create new casting business. We certainly need it.

Raymond

STEEL FOUNDERS' SOCIETY OF AMERICA

MEETINGS CALENDAR 2002

November 5	Specifications Committee, Miami, FL
November 7-9	National T&O Conference - Hotel Inter-Continental, Chicago, IL
December 2-3	Marketing Committee - Rosemont, IL

2003

January 16-19	Board of Directors, Exec. Committee, Tech. Steering, Naples, FL
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	SFSA Annual Meeting, The Resort at Squaw Creek, Lake Tahoe, CA
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 July June
(%-12 mos. Ago)

Carbon & Low Alloy

Shipments	-30.4	-25.3	-38.7
Bookings	5.7	0.0	-29.0

High Alloy

Shipments	30.8	30.0	-12.0
Bookings	8.7	9.1	2.0

**Department of Commerce
Census Data**

Iron & Steel Foundries (million \$)

Shipments	1,340	1,330	1,339
New Orders	1,304	1,313	1,308
Inventories	1,774	1,781	1,796

Nondefense Capital Goods (billion \$)

Shipments	57.5	58.4	56.3
New Orders	55.2	58.0	51.0
Inventories	115.7	115.1	115.5

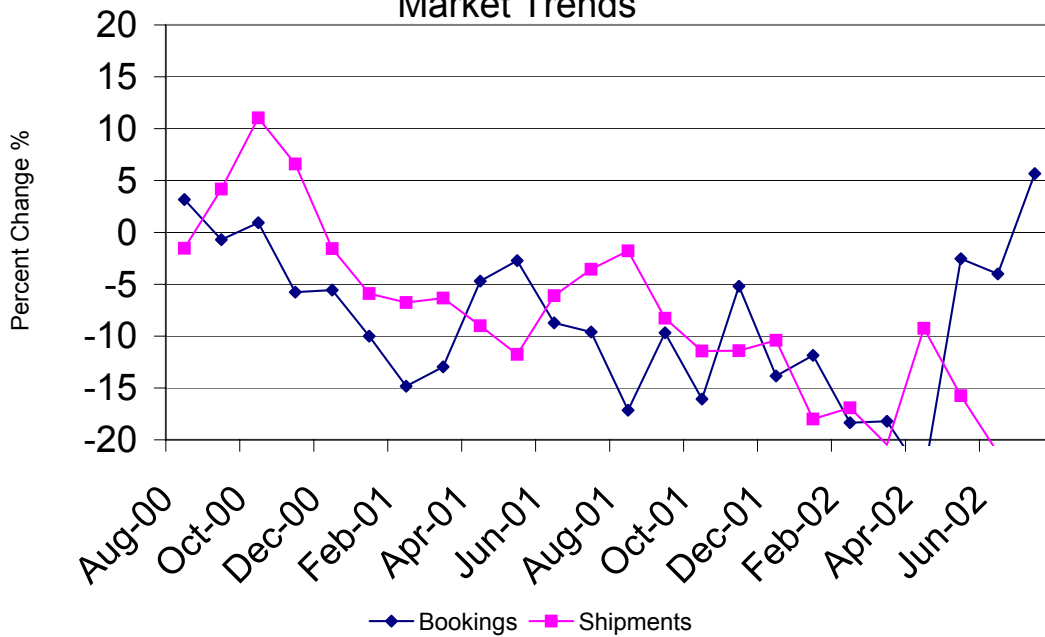
**Nondefense Capital Goods
less Aircraft (billion \$)**

Shipments	54.3	54.9	53.3
New Orders	53.3	54.9	50.7
Inventories	92.2	91.9	92.0
Inventory/Orders	1.73	1.68	1.81
Inventory/Shipments	1.70	1.67	1.72
Orders/Shipments	0.98	1.00	0.95

American Iron and Steel Institute

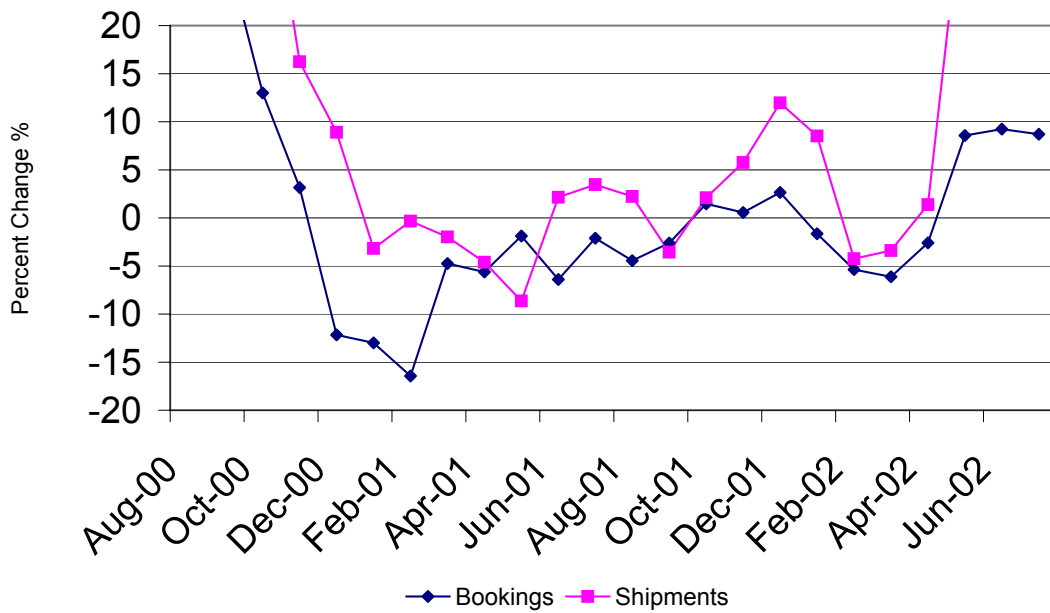
Raw Steel Shipments (million net tons)	8.5	8.4	8.5
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Carbon & Low Alloy Casting Market Trends



SFSA Postcards

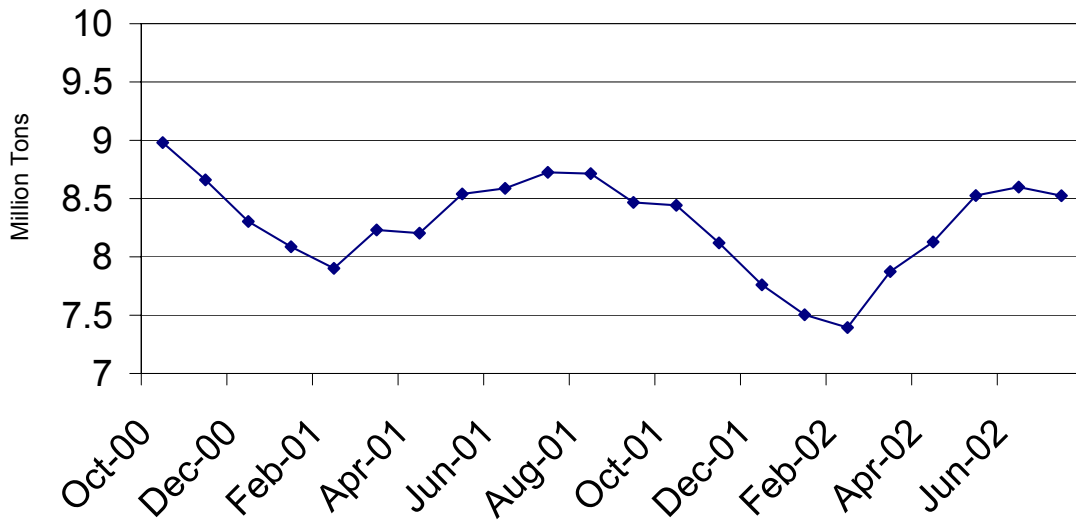
High Alloy Casting Market Trends



SFSA Postcards

Raw Steel Shipments

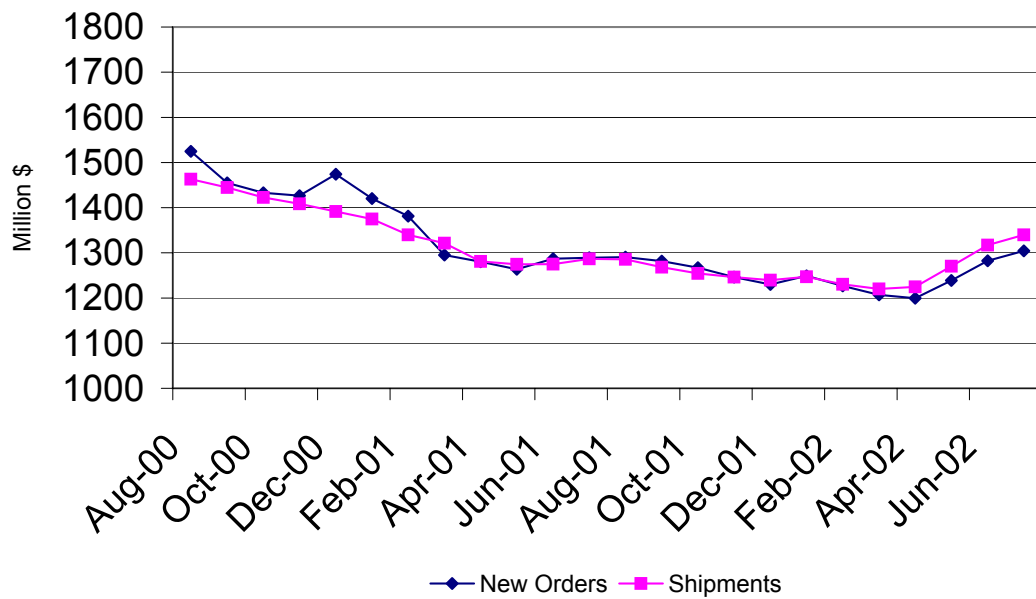
3 month average



AISI Data

Iron and Steel Castings

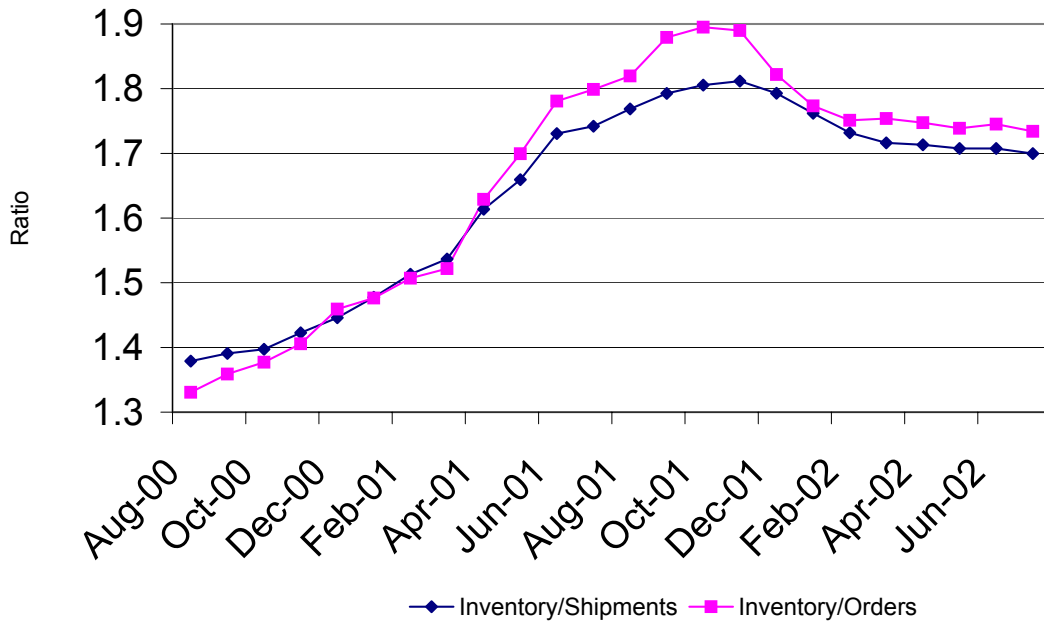
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SFSA

Nondefense Capital Goods less Aircraft

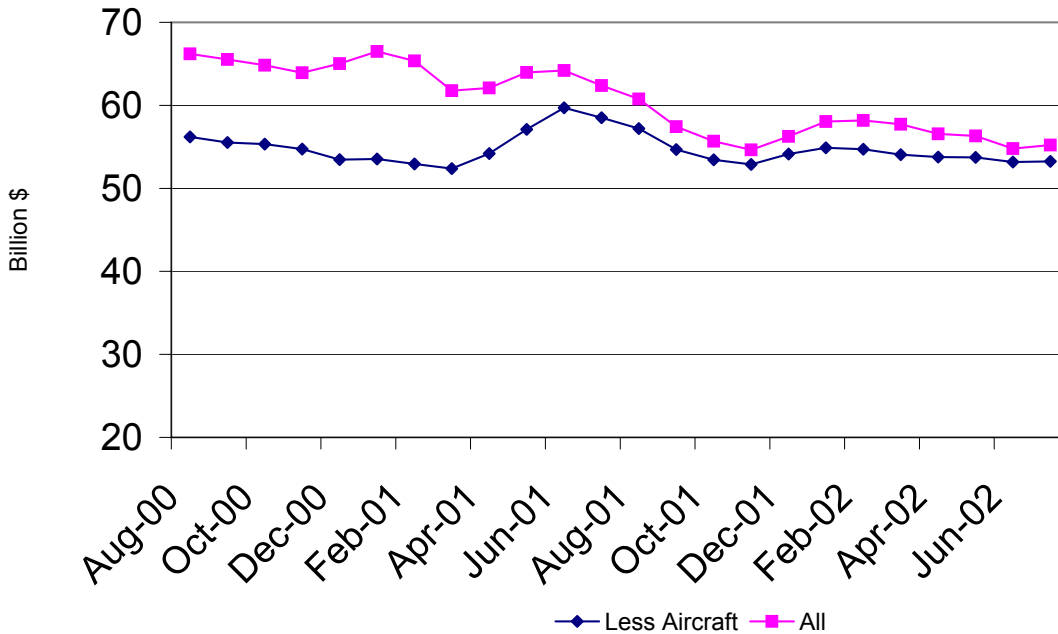
3 month average



Department of Commerce

Nondefense Capital Goods New Orders

3 month average



Department of Commerce