



SFSA CASTEEL REPORTER

Steel Founders' Society of America

a monthly publication

serving SFSA steel casting industry Members

780 McArdle Drive Unit G, Crystal Lake IL 60014

815-455-8240 Fax: 815-455-8241

www.sfsa.org

June — 2004

Casteel Commentary Highlights:

Dynamic moves in our marketplace require us to change. Opportunities are rapidly confronting us with business decisions. A recapitalization of our industry is likely in the next few years as discussed in the Casteel Commentary. Success will depend on thoughtful choices informed by market knowledge. The SFSA Annual Meeting will provide you with an essential opportunity to know what is going on and to plan for change.

Robert M. Schumo was the president of SFSA in 1962 and 1963. He was a passionate and ardent supporter of the Society, the industry, and contributed continuously to our future. Bob passed away February 11, 2004 and a memorial service was held May 28, 2004 in Reading, PA. It was a joyous celebration of Bob's life and family. Several from the industry were there. I hope if you were not aware or have not had a chance, that you would drop a quick note to the family sharing your stories or appreciation. You can email the family at schu@surfglobal.net

SFSA 2004 Annual Meeting

Plan to attend the 102nd SFSA Annual Meeting, to be held at the Ritz-Carlton Resort on Amelia Island, Florida September 11-14, 2004.



Featured presentations will include a talk on the *State of the Economy* by Martin Regalia, Chief Economist, U.S. Chamber of Commerce, and *Currency and Trade*, presented by John Nolan, Vice President, Sales & Marketing, Steel Dynamics

EPA MACT

The U.S. EPA has issued their final MACT standard for steel foundries. SFSA has organized a group of steel foundries to sue the agency over the rule. If you are able to contribute to this effort we would welcome your support.

SFSA Foundation

SFSA has a Foundation to promote the industry and invest in its future. The Foundation has a little over \$100,000 invested, which supports a student intern in a member company. As business improves, you should invest in our future by contributing to the Foundation. Contributions are tax deductible.

Western Division Meeting

The SFSA Western Division is meeting in Portland on August 19 and 20. The meeting includes a tour of Varicast. All members are encouraged to attend further details of the meeting are on the SFSA website. There is no charge for the meeting.

Carbon & Low Alloy Research Review

The SFSA Carbon & Low Alloy Research Review is being held on June 14 and 15 in Chicago by the airport. All of the carbon and low alloy projects will be presented. There is no charge for the meeting. This is an ideal meeting to see what is going on in SFSA research. The review overlaps with the AFS Casting Congress for your convenience. Details of the Review are included on the SFSA Website.

Market News

Business is up strongly in many markets and most steel foundries have seen significant improvements in demand and production since the first of the year. Demand looks to continue to improve through the balance of 2004. The SFSA Trend cards show significant increases in bookings and orders for all steel castings for March.

The strong upturn is seen in shipments of raw steel products at their second highest level ever in the U.S. in March and sizable increases in iron and steel casting orders and shipments. Capital goods orders are continuing to increase and inventories are not. All the financial indicators are pointing to a sustained strong improvement in business in the coming months.

Casteel Commentary

Remarkable changes in business conditions in the past few months require a considerable rethinking of our business approach. While business has picked up in much of the economy, many steel foundries are operating near their current capability. In several sections of the marketplace, steel castings are in short supply. It is likely in this decade that general increases in prices and ongoing shortage of capacity will require our industry to grow in capacity.

Between 1979 and 1983, our industry fell from high demand to poor demand in an environment of high interest rates, high inventories, significant inflation, rising prices, aggressive capital investment, and lack of capacity. It took almost 10 years to liquidate 20% of the industry. Between 1999 and 2003, our industry fell from good demand to poor demand. The environment was a mirror image, low interest rates, small inventories, low inflation, stagnant prices, lack of capital investment and a surplus of capacity. We have liquidated more than 25% of the remaining capacity, leaving the industry smaller than anytime after World War II. The liquidations have contributed significantly to the lack of current capability and will continue to limit supply.

If inflation shaped the 1960's and 70's and stability shaped the 1980's and 90's, then inflation is likely to return to recapitalize the production. Poor political and economic policies will make it cost more, take longer, and may move some of our opportunities offshore. Deciding how to invest and serve the coming markets will be a challenge to all of us.

One essential ingredient to success will be information about the market and how to respond. For this reason, you should sign up and attend the SFSA Annual Meeting in Amelia Island. We have an economist, the knowledgeable and enlightening Marty Regalia from the U.S. Chamber of Commerce. We also have John Nolan from Steel Dynamics who is an expert at trade in steel and what is happening to currencies and trade patterns. The meeting will include the SFSA Market Forecast and an overview of the world production of steel castings. Most importantly, you will be meeting with other leaders of the industry and will be able to discuss the trends affecting our business. With improving business conditions and a challenging future, you cannot afford to miss this meeting.

Raymond Monroe

STEEL FOUNDERS' SOCIETY OF AMERICA

MEETINGS CALENDAR

2004

June
14/15

Carbon & Low Alloy Research Review, Rosemont, IL

August
19/20

Western Division Meeting, Portland, OR

September
11/15

Annual Meeting - Ritz Carlton Hotel, Amelia Island, FL

November
3/6
9

National T&O Conference - Hotel Inter-Continental, Chicago, IL
Specifications Committee, Washington, DC

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

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

Carbon & Low Alloy

Shipments	0.0	19.0	-18.7
Bookings	27.4	41.4	47.8

High Alloy

Shipments	29.6	106.0	2.5
Bookings	57.5	72.0	70.0

**Department of Commerce
Census Data**

Iron & Steel Foundries (million \$)

Shipments	1,412	1,561	1,348
New Orders	1,456	1,599	1,409
Inventories	1,691	1,691	1,706

Nondefense Capital Goods (billion \$)

Shipments	60.7	61.5	59.6
New Orders	61.1	63.5	59.9
Inventories	105.2	105.4	105.2

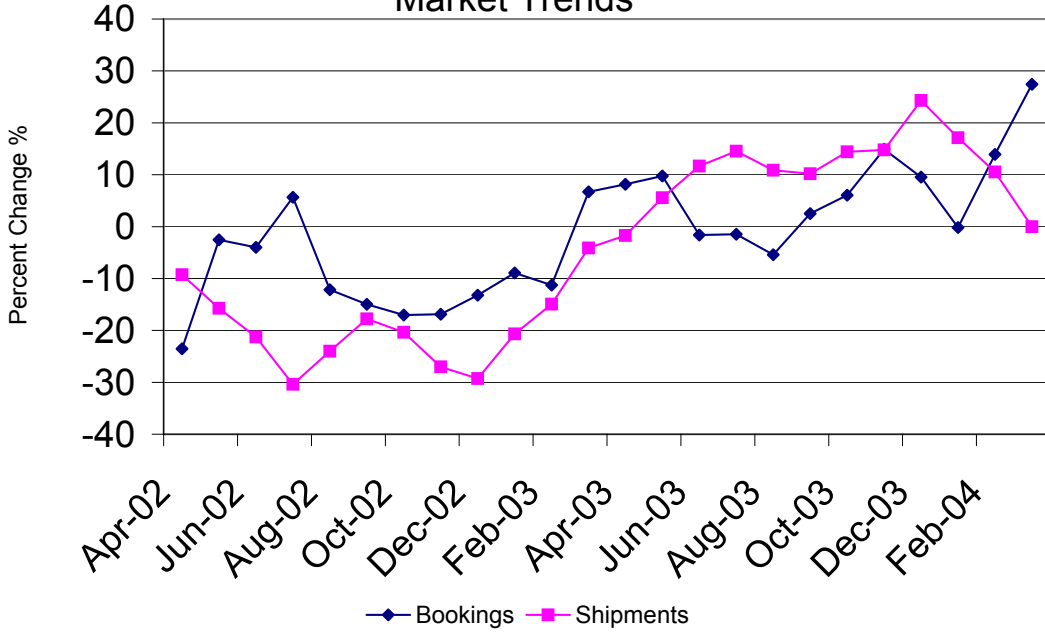
**Nondefense Capital Goods
less Aircraft (billion \$)**

Shipments	58.2	58.8	56.9
New Orders	59.2	61.4	57.7
Inventories	88.1	88.4	88.0
Inventory/Orders	1.49	1.44	1.53
Inventory/Shipments	1.51	1.50	1.55
Orders/Shipments	1.02	1.04	1.01

American Iron and Steel Institute

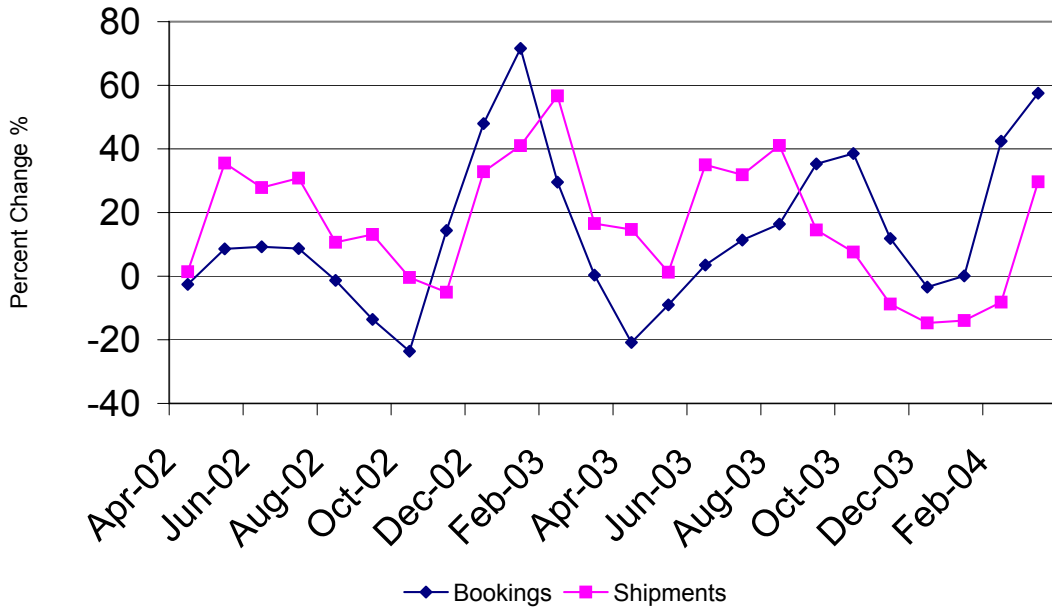
Raw Steel Shipments (million net tons)	9.4	10.0	9.1
---	-----	------	-----

Carbon & Low Alloy Casting Market Trends



SFSA Postcards

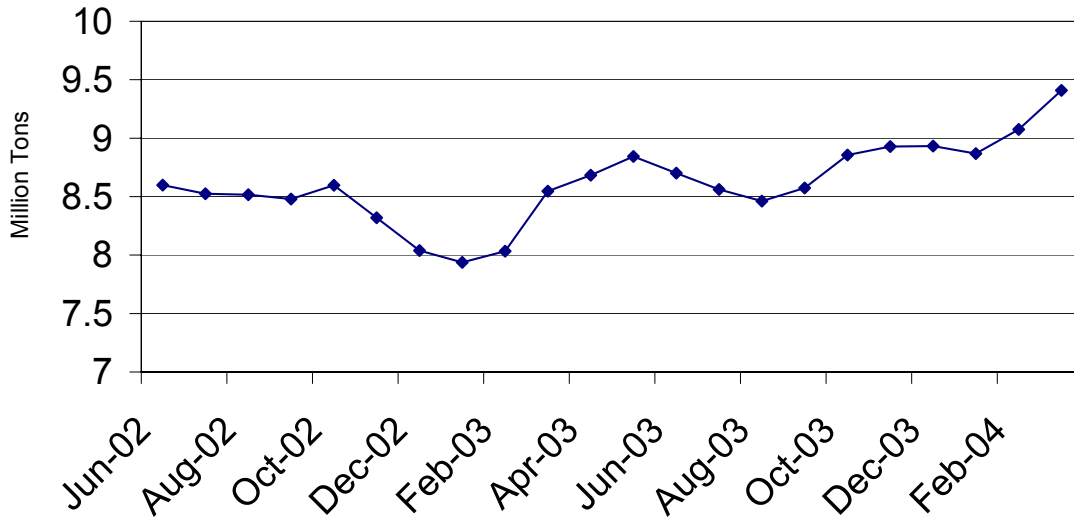
High Alloy Casting Market Trends



SFSA Postcards

Raw Steel Shipments

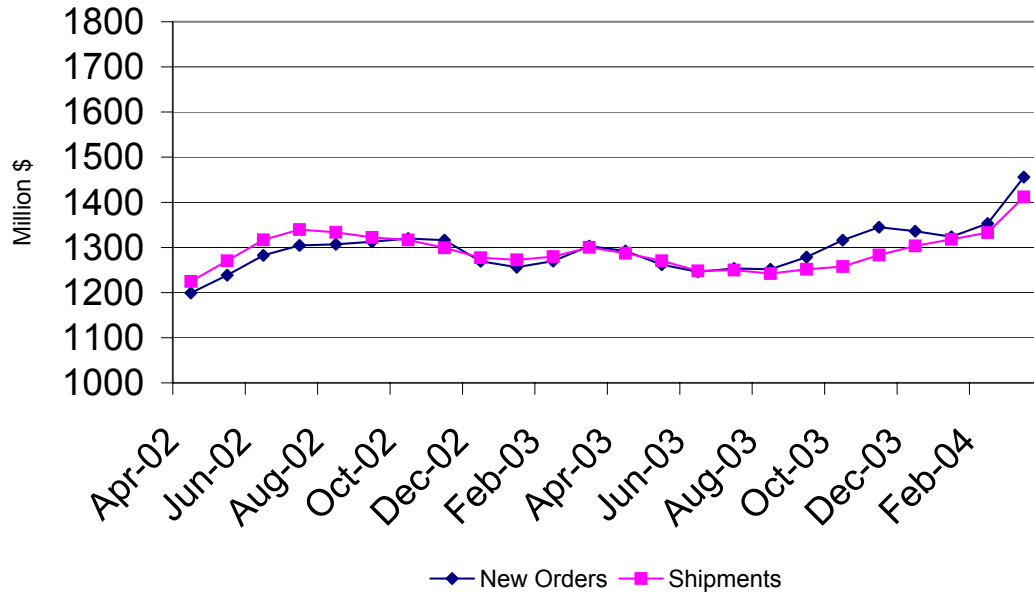
3 month average



AISI Data

Iron and Steel Castings

3 month average

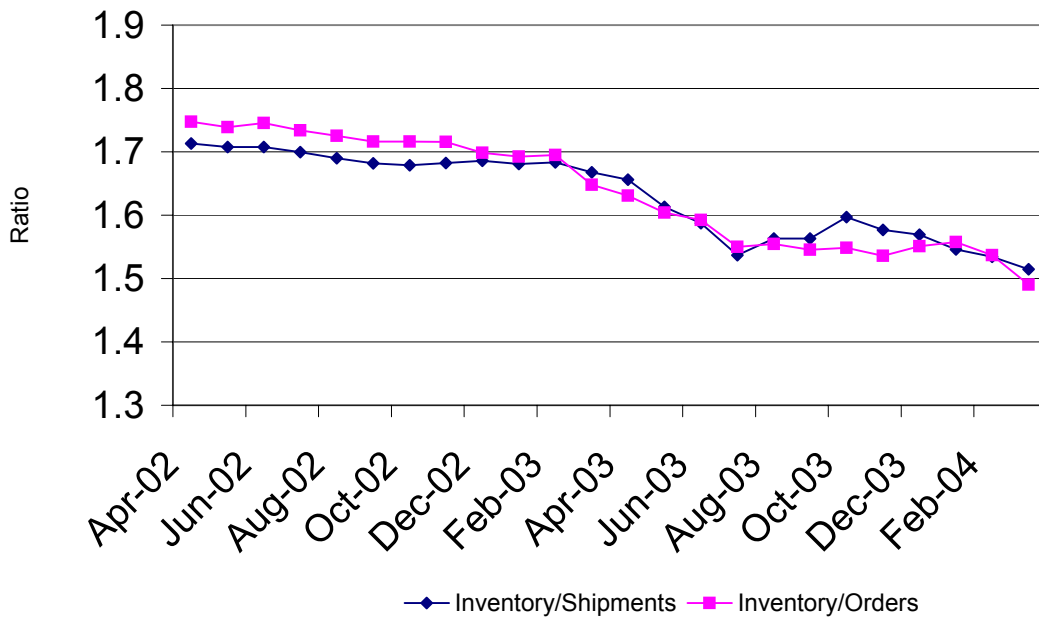


◆ New Orders ■ Shipments

SFSA

Nondefense Capital Goods less Aircraft

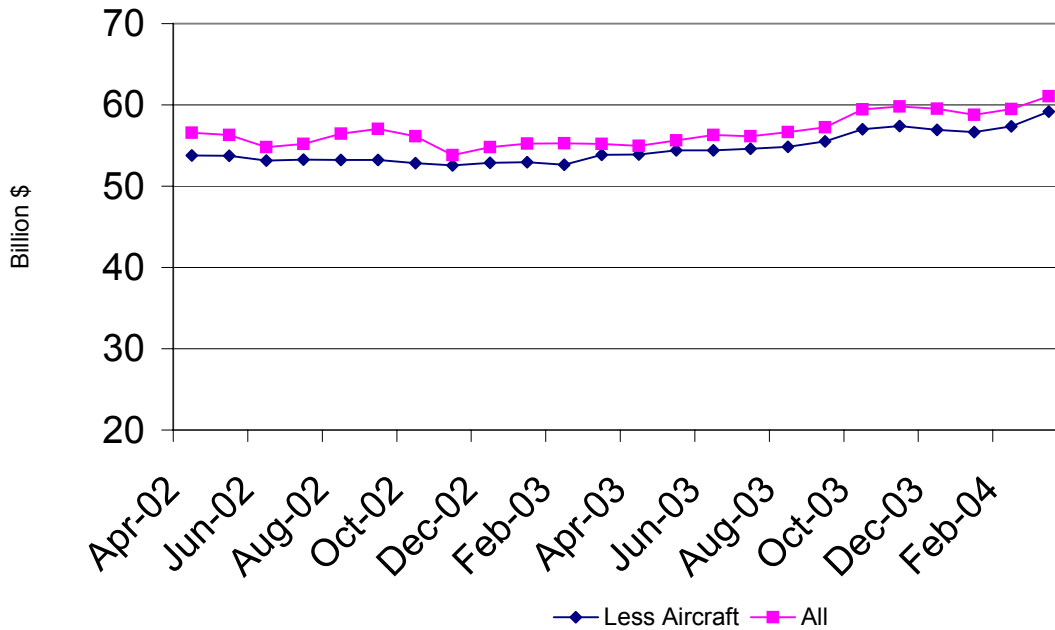
3 month average



Department of Commerce

Nondefense Capital Goods New Orders

3 month average



Department of Commerce