



SFSA CASTEEL REPORTER

Steel Founders' Society of America

a monthly publication

serving SFSA steel casting industry Members

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www.sfsa.org

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Commentary Highlights:

The Casteel Commentary this month reflects on the lack of capital for investment. The lack of capital not only threatens the continued viability of steel foundries to survive, it is a significant factor restraining demand. Until this factor shifts to allow more investment, business will remain slow.

100th Annual Meeting:

It's still not too late to join us for this year's big celebration! The meeting is September 20-25; just call Kathi Reese at 847-382-8240 for meeting details.

Membership Benefits:

SFSA has a special discount program with Yellow freight to provide LTL shipping for members at significant discounts. We are one of their more successful partners, with over 72% of members getting some benefit. Many members' savings exceed the cost of membership. Attached to this newsletter is a flyer describing the program. In tough times like these, every opportunity is a resource to be used. Let us know if you need any additional information.

Market News:

Bookings and shipments for carbon and low alloy castings remained slow in June. High alloy castings continued to show improved demand, but modestly. Raw steel shipments continued to

improve and the demand for iron and steel castings also increased. Capital goods orders remained stable and inventories continued to decline. Improvements in capital goods orders have not yet materialized, so the outlook for steel castings is continued, tepid demand.

Reporter by E-mail:

We are working towards sending most copies of the monthly newsletter by e-mail. If you have specifically asked for a mailed copy, you will still receive it; however, please send us your e-mail addresses so that we can e-mail you this newsletter. Thank you.

Casteel Commentary:

While business conditions remain poor, the outlook remains positive. The delicate question for steel foundries is how to survive and remain competitive. Low inventories, low inflation, and low interest rates will support a significant improvement in steel casting demand some time in the future, but the current low level of business may continue for some time. A weakening dollar will slow consumer activity but improve the demand for manufactured goods.

The lack of capital to invest in plant and equipment due to restrictive loan policies and inadequate equity not only limits the ability of steel foundries to invest in their own operations

Casteel Commentary, cont'd

to become more efficient, but also these same limits reduce demands for steel castings. Since most steel castings end up in a capital investment, the lack of capital investment by customers is a major cause of low demand. Low interest rates suggest that capital is available at attractive costs and will stimulate investment but this is not so. Since lenders are unwilling to lend to manufacturing operations or other capital equipment purchasers, low interest rates have not sparked a recovery.

Our market system is not perfect. It is just much better than any alternative. One limit of the market system is that it tends to be sticky. That is the market does not smoothly adjust to changes but the changes must be big and persistent to cause change. The change then is often excessive since the demands have been allowed to become excessive. The lack of capital availability will provoke some change to provide needed investment. When the need becomes acute, we will likely see a rapid and excessive investment in capital equipment. Until that change occurs, business may remain slow.

When business improves, the shortage of qualified people will limit production in many plants. One clear need, as we continue to downsize to survive the slow conditions, is to take out skill and labor requirements as demand improves. We need to plan how we will meet sharply higher demands without dramatic increases in employment or skill levels. Our industry must dramatically increase the sales per employee to be competitive. The current downturn has caused most plants to reduce headcount. How can we create significantly more sales revenue per employee when conditions improve and demand increases?

Raymond Monroe



STEEL FOUNDERS' SOCIETY OF AMERICA
MEETINGS CALENDAR

2002

- 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, 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 June May
(%-12 mos. Ago)

Carbon & Low Alloy

Shipments	-21.3	-38.7	-27.2
Bookings	-4.0	-29.0	46.0

High Alloy

Shipments	27.8	-12.0	74.5
Bookings	9.2	2.0	15.0

**Department of Commerce
Census Data**

Iron & Steel Foundries (million \$)

Shipments	1,317	1,339	1,350
New Orders	1,282	1,308	1,292
Inventories	1,750	1,796	1,746

Nondefense Capital Goods (billion \$)

Shipments	57.8	56.3	57.9
New Orders	54.8	51.0	56.6
Inventories	115.6	115.5	116.4

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

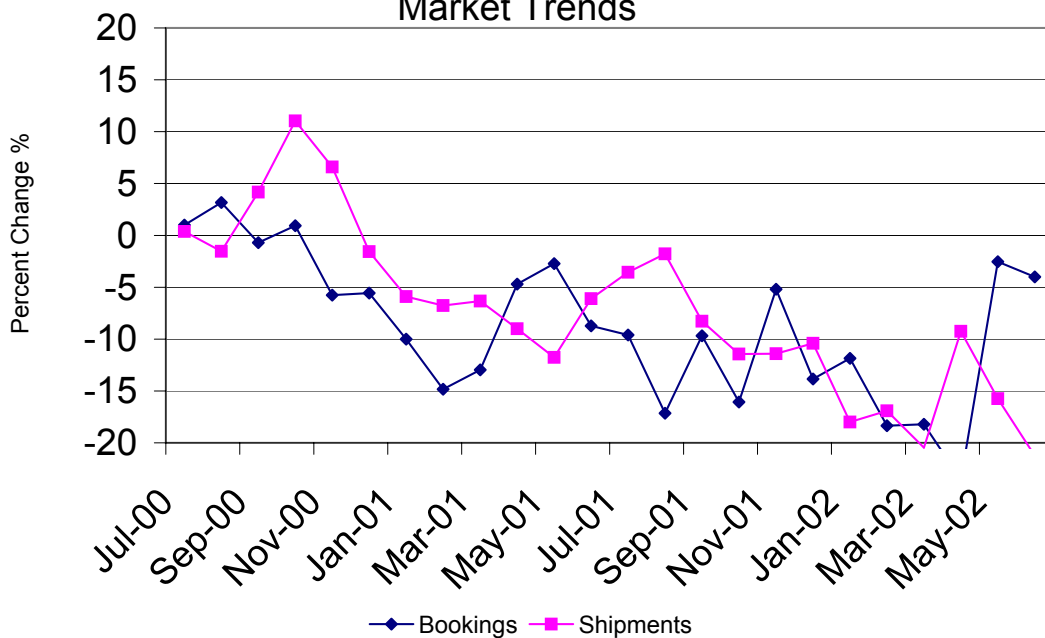
Shipments	54.3	53.3	54.6
New Orders	53.2	50.7	54.2
Inventories	92.7	92.0	92.9

Inventory/Orders	1.75	1.81	1.71
Inventory/Shipments	1.71	1.72	1.70
Orders/Shipments	0.98	0.95	0.99

American Iron and Steel Institute

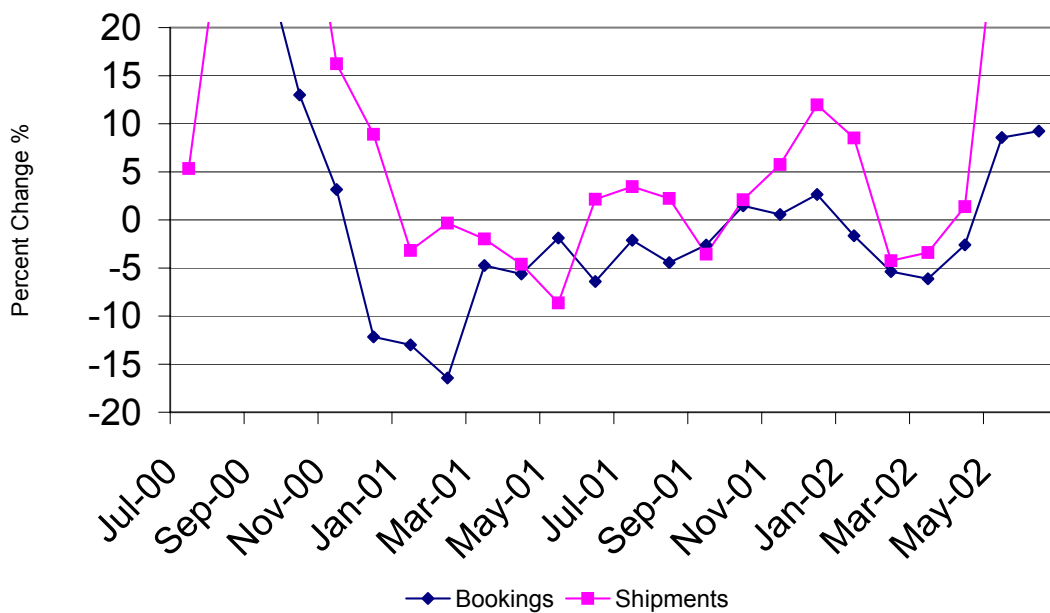
Raw Steel Shipments (million net tons)	8.6	8.5	8.7
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Carbon & Low Alloy Casting Market Trends



SFSA Postcards

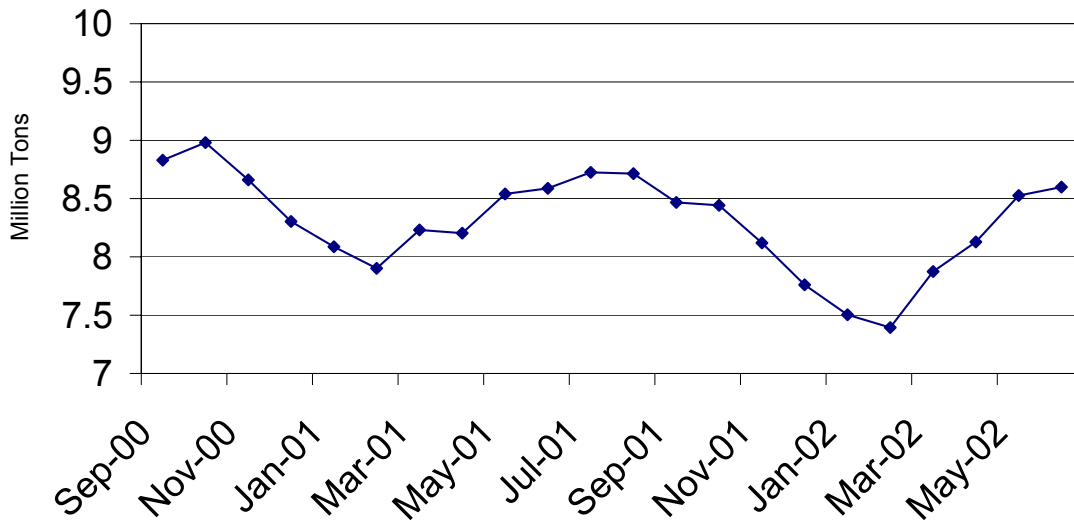
High Alloy Casting Market Trends



SFSA Postcards

Raw Steel Shipments

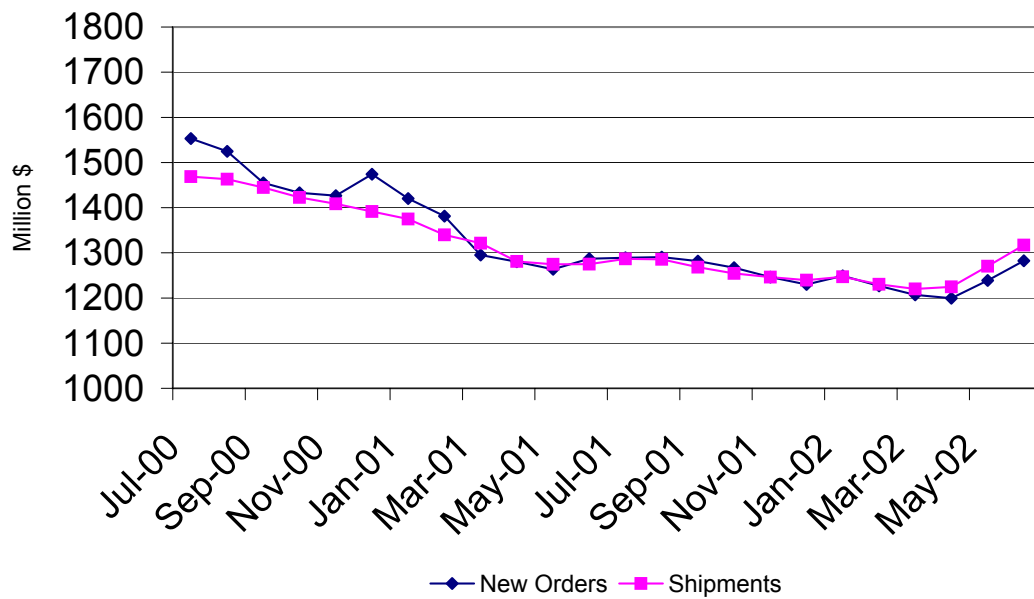
3 month average



AISI Data

Iron and Steel Castings

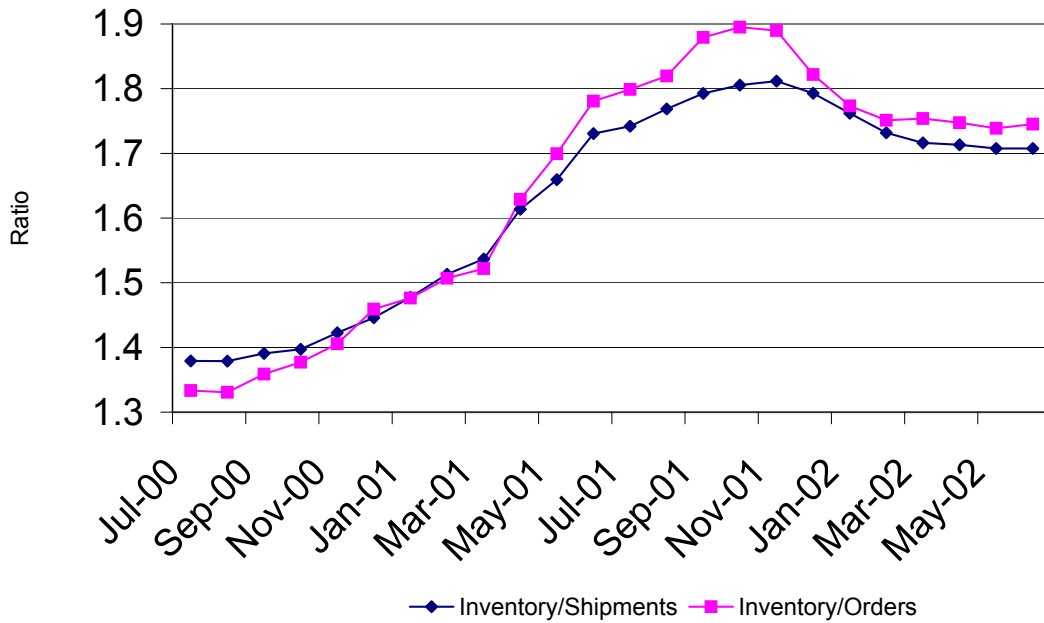
3 month average



SFSA

Nondefense Capital Goods less Aircraft

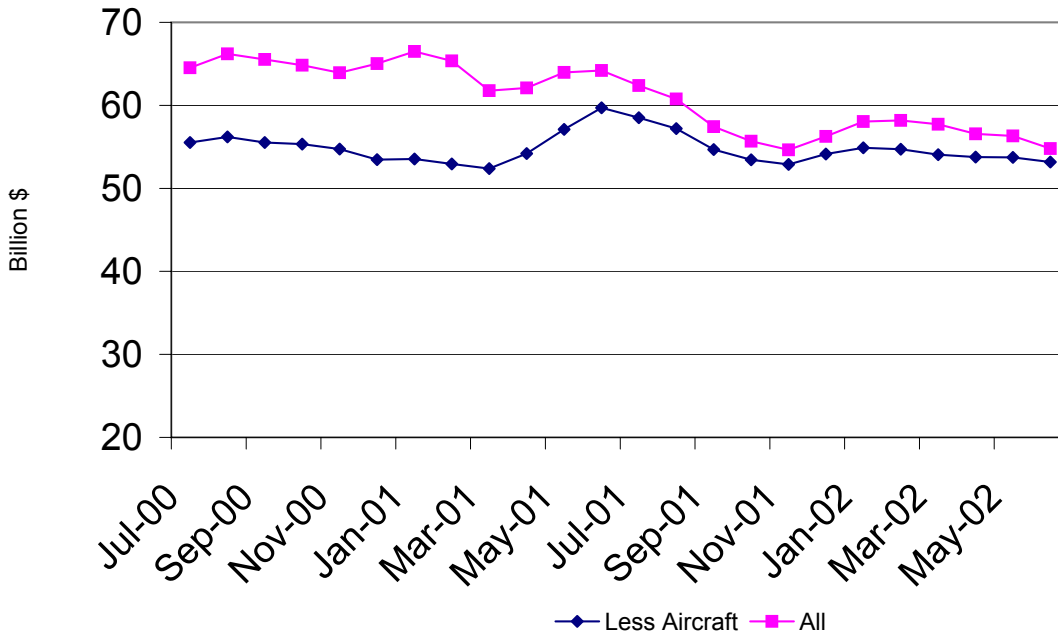
3 month average



Department of Commerce

Nondefense Capital Goods New Orders

3 month average



Department of Commerce

DEFINITE DELIVERY, GUARANTEED OR IT'S FREE!!!

SFSA Freight brings you a great **62% Savings** with **Yellow Transportation**. The discount applies to standard ground LTL shipments that are:

- a) **Inbound collect** (where the freight is added to your bill)-- Tell your suppliers to ship with Yellow Transportation so you save on shipments coming in.
- b) **Outbound prepaid**, and
- c) **Outbound collect**. Passing on any savings helps secure repeat customer sales.

The area of coverage is **All of North America**. In cases where Yellow Transportation hands your load off to a Canadian or Mexican carrier, the foreign carrier may not have an agreement with Yellow to honor the discount on their leg of the route. The discount does apply to the portion to Yellow's terminal at the border. The discount applies to US interline shipments when Yellow is the originator.

Definite Delivery services can also receive the discount. To upgrade your shipment and get the money back guarantee, schedule your shipment by calling Yellow's Customer Service at (800) 610-6500. Price your shipment as standard ground frt. to get your 62% discount. Then request it be upgraded to Definite Delivery by adding 15% to the discounted price. It will be delivered by the agreed date or you don't get billed for it.

Example: If a shipment costs \$400, your discount brings it to \$152. Then upgrade it by adding 15% (\$22.80). So for \$174.80 (which is still a 56% savings), you get "Definite Delivery," guaranteed to be delivered by the agreed day, or it's free. That's an excellent value added benefit.

Definite Delivery is a must, any time you have a deadline. It is the most economical solution when your customer has a crew scheduled to process your deliver on a specific day. If Yellow says the shipment takes 3 days, then it will be there the 3rd day or you don't pay. That gives you assurance, and your client, peace of mind.

- ◆ Use your **Members-Only** discount at every opportunity. You will be excited about how much you save in just one year.
- ◆ When you have a deadline, **use Definite Delivery, and keep saving.**
- ◆ When specific time lines are crucial, Yellow's **Exact Express** will pick up and deliver your freight within the hour that you specify. Many companies have limited warehouse space and depend on Just-In-Time (JIT) deliveries to maximize labor efficiency and minimize inventories. Special handling services are not discounted, however, they are guaranteed on time or you don't pay. When timing is critical, Exact Express is your wisest choice.

If you have not enrolled to receive your discount, too, call Anne @ (800) 678-9023.

SFSA makes membership an investment and a value-added benefit.