



SFSA CASTEEL REPORTER

Steel Founders' Society of America

a monthly publication

serving SFSA steel casting industry Members

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April — 2004

Casteel Commentary Highlights:

This month's Casteel Commentary raises the pressing issue of rising prices. While they represent a business issue to maintain sustainable pricing and profitability, they also represent hope. With rising prices comes new capital equipment investment. Our challenge will be to correctly read the market and make the necessary investments for a profitable future.

One significant issue is the unsustainably high cost of scrap steel. The Emergency Steel Scrap Coalition (ESSC) was formed through the leadership of Bob Stevens at Impact Forge this February to address the issue of scrap steel material exports which have soared dramatically over the past year to historic and unprecedented levels. It has created and exacerbated a situation of skyrocketing steel prices and questionable availability for U.S. manufacturers, processors and customers of sheet, plate, structural beams, reinforcing bar and finished steel bar products. ESSC is looking at options to help alleviate the problem that has grown for many to crisis proportions. One option is the petitioning of the U.S. Dept of Commerce, Office of Export Administration toward invoking (existing) law concerning short supply relief of steel scrap when there is proven cause and result of significant harmful effects on important manufacturing sectors of the economy. Forging Industry Association and Steel Manufacturers Association have both endorsed ESSC and its goals. Both organizations are encouraging their members to directly contact ESSC by way of <http://www.scrapemergency.com> to learn more about the problem, the coalition's objectives and approach...and how individually interested companies can support the coalition.

Foundry Educational Foundation

The Foundry Educational Foundation has been supported by SFSA since its inception. SFSA is allowed to have a trustee on their board who is in senior management in a member company. We are looking for someone who supports FEF and would like to serve on the FEF Board of trustees. If you are interested in this opportunity, please contact Raymond Monroe at 815-455-8240 or email at monroe@sfsa.org.

C&LA Research Review

There will be review of the SFSA research for Carbon and Low alloy steel production at the Ramada O'Hare on June 14 and 15. This meeting is open to all members and there is no fee for attending. Register now to take advantage of this opportunity. A schedule is attached to this newsletter.

Market News

Business in many steel foundries has improved dramatically since mid December. The high alloy area has been slower in recovering as seen in the SFSA Trend cards with orders flat and shipments down. Orders are flat in carbon and low alloy castings but shipment are up in January. The same trend is seen in the DOC ferrous casting activity with shipments continuing to improve. Capital goods shipments and orders are up.

For the first time in more than twenty years, SFSA has had inquiries from customers looking for additional sources concerned about casting availability.

Casteel Commentary

Business has improved, dramatically for many members. While it may be short lived in the market, it is likely to be sustained based on the price and availability of commodities. We tend to feel the rising price of scrap and energy as threats to our ability to profit. While rising costs to us do raise challenges, they more fundamentally indicate the need for increased capital investment that will stimulate demand for steel castings.

In the last capital investment leg in the 1970's, pricing improved each year, energy and raw material prices increased, businesses invested to profit from increasing demand, and as a result of market pricing signals, capacity was increased. The dramatic expansion of capacity in the production of raw materials and energy coupled with changes in the financial conditions led to a twenty-year period of stable and declining prices. This twenty-year period of declining prices and low investment in production culminated in a capital bust after the terrorist attack in 2001.

In the capital boom of the late 80's, interest rates were high, inflation was high, inventories were high, prices were rising, shortages were feared, capacity was expanding, and profits were high. In the capital bust of the past three years, interest rates were low, inventories were low, capacity was liquidating, demand was declining and profitability was elusive.

Failing to recognize the dramatic changes in the early 80's hindered the industry in its ability to cut costs, focus on core markets, consolidate capacity, maintain profitability, and improve quality and productivity. Competing manufacturing processes like steel fabrication and ductile iron castings retarded the recovery by stealing the new designs that should have been made as steel castings. Our underinvestment in design and quality based on the tremendous financial pressures exacerbated the problem. The lack of adequate profitability impeded the needed investment to modernize and improve.

We should not fail to recognize that the underinvestment in our industry is parallel to the under investment in commodity production in many sectors. The deflationary pressures of relatively high interest rates, the management of inventories and aggressive purchasing policies along with the excess residual capacity from the last boom have shaped our business practices for years. The continual liquidation of capacity in conjunction with the strengthening demand due to our recovery and growth in the rest of the world especially Asia is demanding more commodity production than our current capital investment is capable of delivering. So, the price increases of scrap, nickel, chromium, energy, These increases signal the need for renewed capital equipment investment.

We need to make sure that our business practices create the profits we need to reinvest. Higher prices and profitability are market signs of a need for renewed investment. Our customers; mining, construction, energy, transportation, and metal processing, have seen the pricing movement and begun to invest in equipment requiring castings.

We need to make sure that our future business plans include the need for expanded production, improved quality, dramatically improved productivity, and superior technology. The question from the past twenty years has been where do I go to cut more costs. The question we are likely to face with increasing urgency is where to invest.

Raymond Monroe

STEEL FOUNDERS' SOCIETY OF AMERICA

MEETINGS CALENDAR

2004

April
23

North Central Technical & Operating Meeting, Milwaukee, WI

May
18

Specifications Committee, Salt Lake City, UT

June
14/15

Carbon & Low Alloy Research Review, Rosemont, IL

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 Jan Dec
(%-12 mos. Ago)

Carbon & Low Alloy

Shipments	17.1	-0.3	50.6
Bookings	-0.2	-6.9	0.9

High Alloy

Shipments	-14.0	-19.6	-7.4
Bookings	0.1	30.6	26.7

**Department of Commerce
Census Data**

Iron & Steel Foundries (million \$)

Shipments	1,318	1,327	1,324
New Orders	1,324	1,360	1,290
Inventories	1,659	1,676	1,644

Nondefense Capital Goods (billion \$)

Shipments	59.5	60.9	59.1
New Orders	58.8	59.8	58.7
Inventories	105.2	105.1	105.3

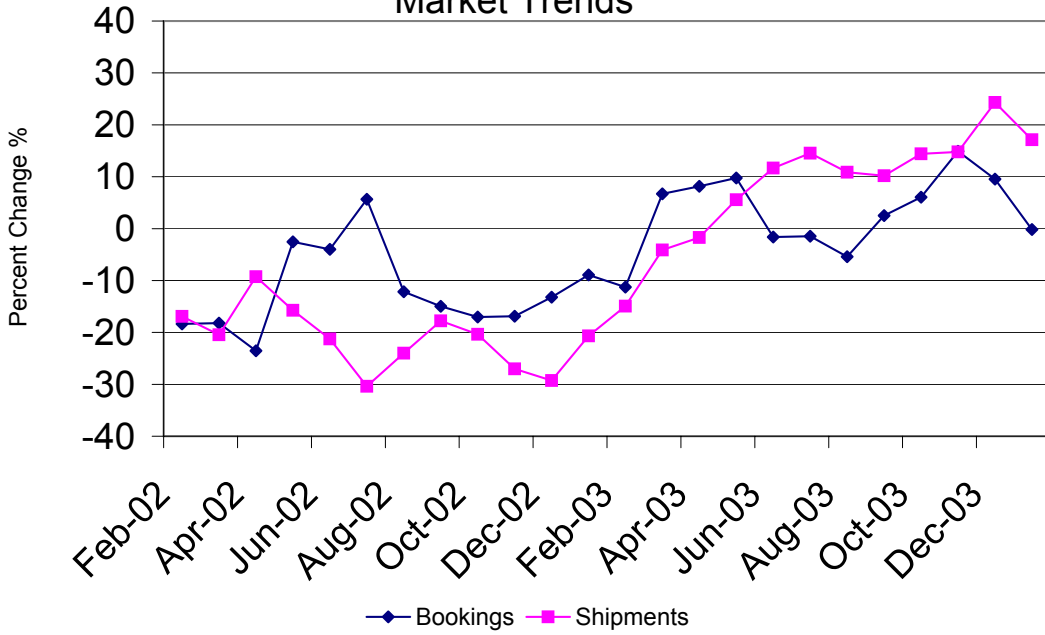
**Nondefense Capital Goods
less Aircraft (billion \$)**

Shipments	57.1	58.9	56.6
New Orders	56.7	58.4	56.0
Inventories	88.2	88.0	88.4
Inventory/Orders	1.56	1.51	1.58
Inventory/Shipments	1.55	1.50	1.56
Orders/Shipments	0.99	0.99	0.99

American Iron and Steel Institute

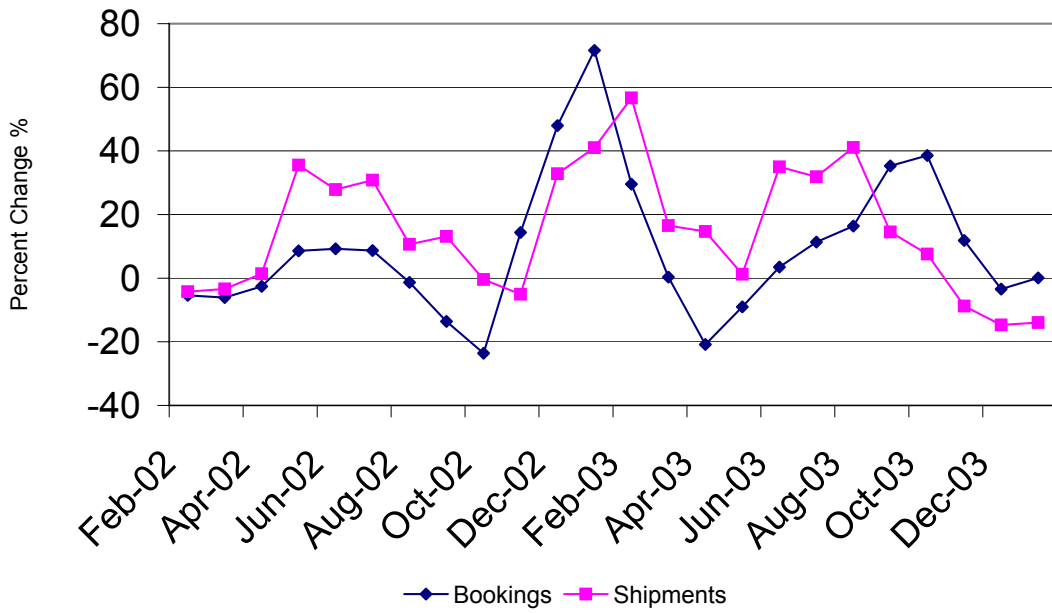
Raw Steel Shipments (million net tons)	8.9	9.1	9.0
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Carbon & Low Alloy Casting Market Trends



SFSA Postcards

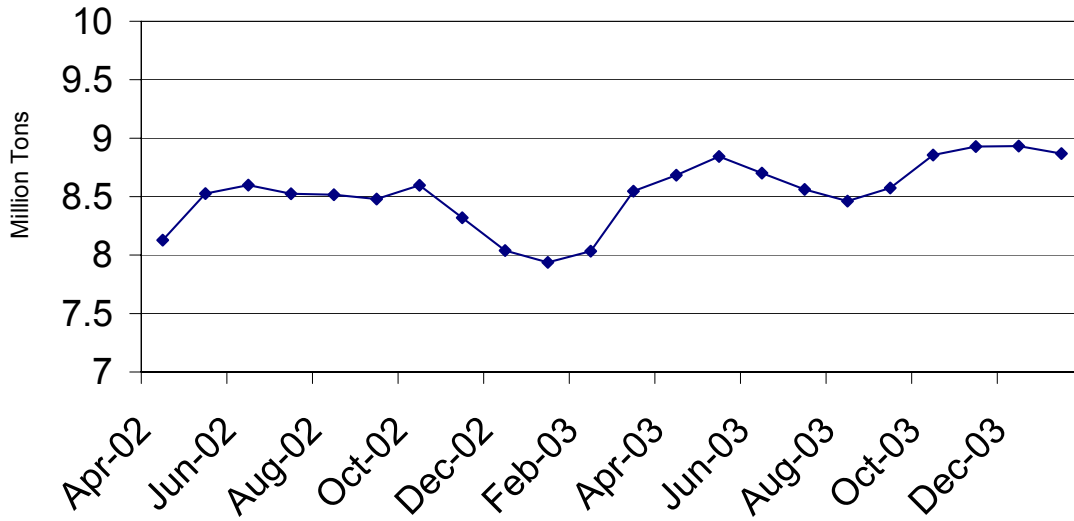
High Alloy Casting Market Trends



SFSA Postcards

Raw Steel Shipments

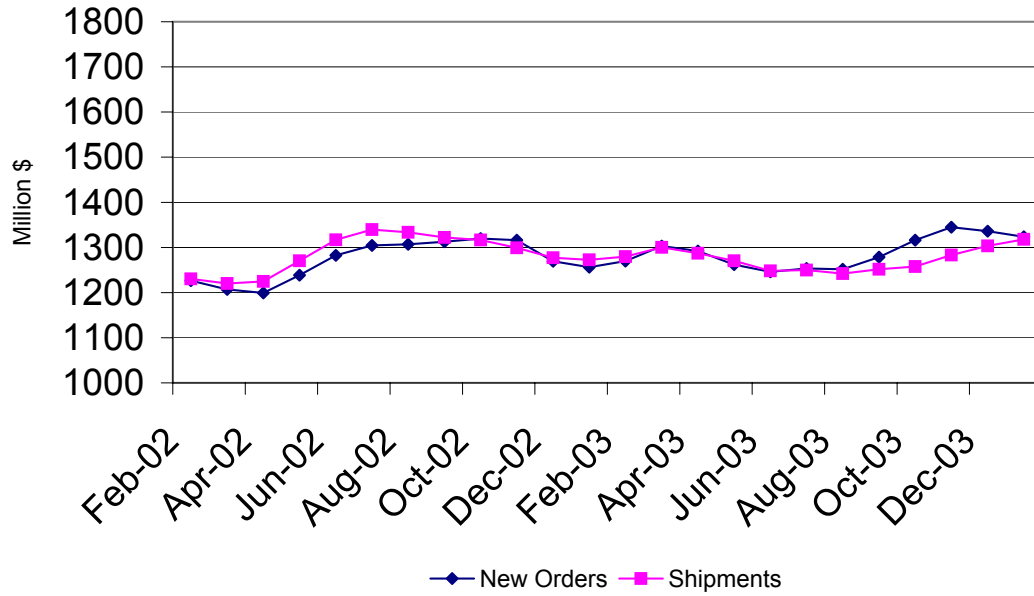
3 month average



AISI Data

Iron and Steel Castings

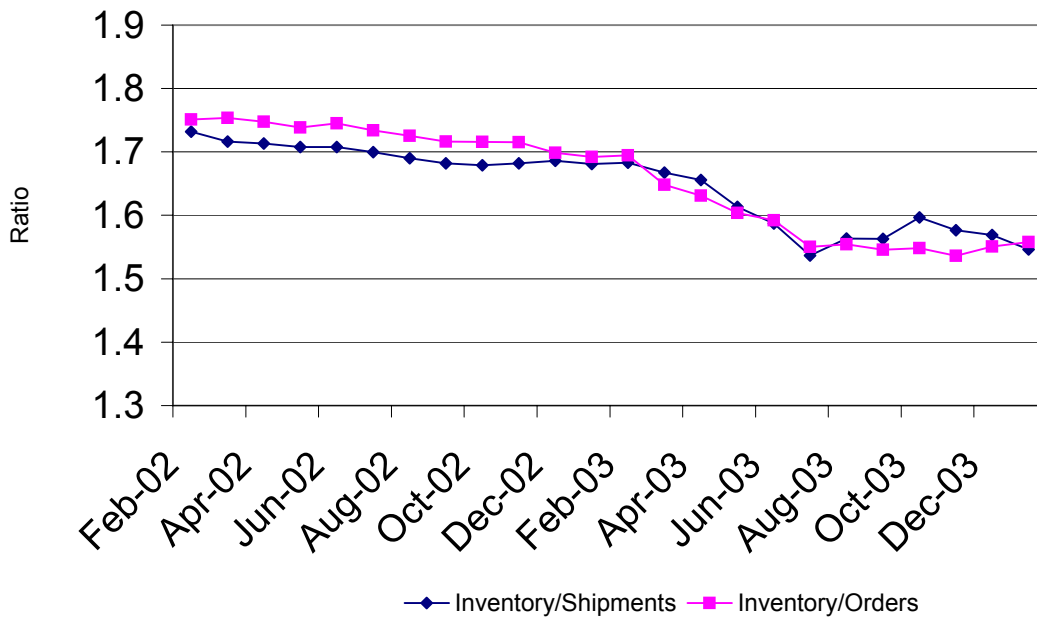
3 month average



SFSA

Nondefense Capital Goods less Aircraft

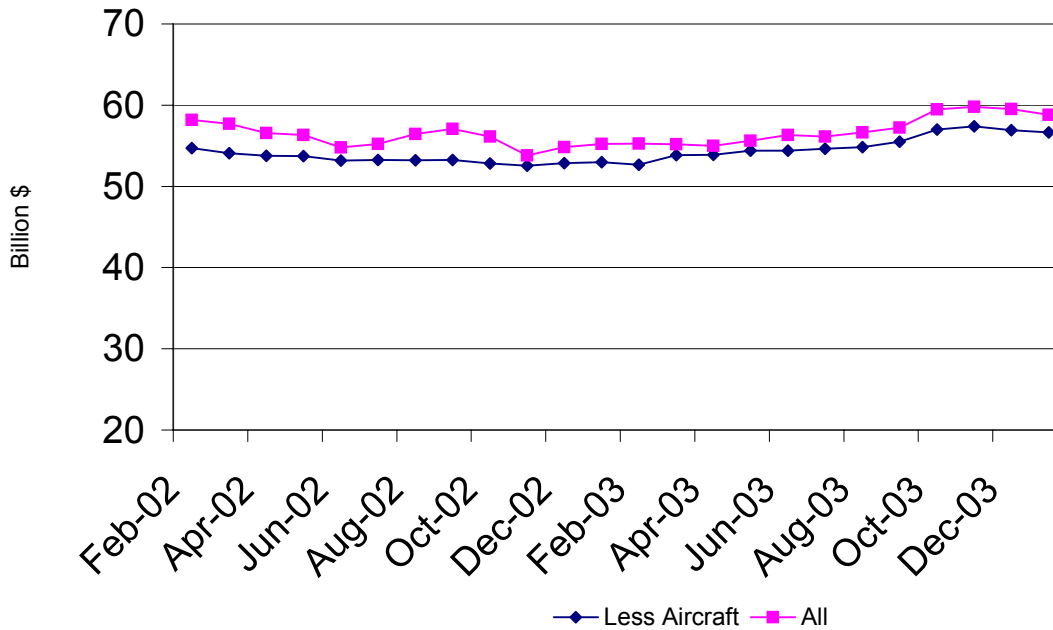
3 month average



Department of Commerce

Nondefense Capital Goods New Orders

3 month average



Department of Commerce

Steel Founders' Society of America

Carbon and Low Alloy Research Review

June 14 and 15, 2004

Ramada Hotel O'Hare

MEMORANDUM - March 29, 2004

TO: ALL SFSA MEMBERS

FROM: Malcolm Blair, Vice President-Technology

SUBJECT: **RESEARCH REVIEW - June 14/15, 2004**
Ramada Hotel O'Hare

We have arranged a two-day Research Review to allow interested members to obtain the greatest value and influence over the current programs

June14

9:00am Variability - Frank Peters, ISU

10:00am Characterization of surface defects - overview of new program – Charles Bates, John Griffin, UAB

10:45 Break

11:00am Burn-in - Von Richards, UMR

12:00pm Lunch

1:00pm Lost foam steel castings – overview of new program – Von Richards, UMR

2:00pm Advanced Melting to improve Energy Efficiency in Steel Foundry Operations – overview of new program - Kent Peaslee, UMR

2:45pm Break

3:00pm Hot tears - overview of proposed program - Christoph Beckermann, UI

3:45pm Heat treatment distortion – overview of new program - Christoph Beckermann, UI

4:00pm Yield program - Christoph Beckermann, UI

5:00pm Adjourn

June15

8:00am Relationship between radiographic indications and mechanical properties - Christoph Beckermann, UI

9:00am Relationship between Niyama and mechanical properties - Charles Bates/John Griffin, UAB

9:45am Break

10:00am Pattern prediction - Robert Voigt, PSU

11:00am Heat treatment procedure qualification – Robert Voigt, PSU

12:30 Adjourn

A block of rooms has been reserved at the Ramada Plaza Hotel O'Hare, 6600 N. Mannheim Road, Rosemont, IL for Monday and Tuesday nights, June 13 and 14. (\$99/night - 847-827-5131).

Please make room reservations directly with the hotel and let us know by email to blairm@sfsa.org if you will be attending the meeting.