



SFSA CASTEEL REPORTER

Steel Founders' Society of America

a monthly publication

serving SFSA steel casting industry Members

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July — 2004

Casteel Commentary Highlights:

Recent antitrust investigations into the chemical binders supplier industry should remind us of the potential liability in a volatile market. As prices reflect the limited suppliers of steel castings, it is useful to be reminded of our responsibilities under antitrust regulation. The Casteel Commentary reminds us about this issue.

SFSA 2004 Annual Meeting

Volatile market conditions, strong demand and restructuring in our industry make accurate information and timely strategic context essential.

The SFSA Annual Meeting on September 12-14, 2004 on Amelia Island is a unique opportunity for members. We will have the SFSA Market forecast, an Economic overview by Marty Regalia of the U.S. Chamber, a view of international conditions from John Nolan of Steel Dynamics and an industry update by Raymond Monroe.



**Changing
Opportunities**

Western Division

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.

SFSA Marketing Meeting

The SFSA Marketing Committee will be meeting August 24-25 in the Chicago area to work on the Market Forecast. If you are interested in joining the Marketing Committee please contact Raymond Monroe.

Market News

Bookings and shipments across the industry continued double-digit growth from last year based on the SFSA Trend Cards. This reflects the strong demand commonly reported among our members. This trend is seen in the orders and shipments reported for iron and steel castings reported by the DoC Census. The average of steel production increased again although the April production level fell. Orders for capital goods exceeded shipments and continued the trend up. Strong business conditions are expected for the balance of the year and into the first of next year.

Casteel Commentary

Profitability is critical to the future of our industry. Active demand allows suppliers to improve their profits through the adjustment of prices. When demand exceeds the readily available supply, lead times are extended and prices move up. This is already happening to our supply of alloys, scrap, and energy. We need to pass through these costs and price our products to achieve adequate profitability. A long period of declining profits has liquidated plants and diminished supply so reinvestment based on improving financial conditions is possible.

This is a critical time in our industry so we must remember not to compromise our future success with questionable activity. Our users are likely to be concerned as their costs increase. Suppliers to our industry have gotten into trouble with antitrust enforcement actions in poor market climates. The graphite electrode manufacturers, the ferroalloy suppliers and recently the chemical binder suppliers have been subject to investigation and prosecution. We are less exposed since our industry is more dispersed and less concentrated. In any case, we need to be reminded of our SFSA position and the legal requirements to avoid this liability. I have attached the SFSA Antitrust Compliance Policy for your review.

We need to be profitable and create the resources to reinvest and reinvent our industry. We also must be responsible and avoid the liability of antitrust actions. Given the recent spate of actions against our suppliers it will be helpful for us to be aware of this situation.

Raymond Monroe

STEEL FOUNDERS' SOCIETY OF AMERICA

MEETINGS CALENDAR

2004

August

19/20

Western Division Meeting, Portland, OR

24/25

Marketing Committee Meeting, Chicago, IL

September

11/15

Annual Meeting - Ritz Carlton Hotel, Amelia Island, FL

November

3/6

National T&O Conference - Hotel Inter-Continental, Chicago, IL

9

Specifications Committee, Washington, DC

GENERAL RULES OF ANTITRUST COMPLIANCE

The following rules are applicable to all SFSA activities and must be observed in all situations and under all circumstances, without exception or qualification other than as noted below.

1. Neither SFSA nor any committee, conference or activity of SFSA shall be used for the purpose of bringing about, or attempting to bring about, any understanding or agreement, whether written or oral, formal or informal, expressed or implied, among competitors with regard to prices, terms or conditions of sale, discounts, distribution, volume of production, territories or customers.
2. No SFSA activity or communication shall include discussion or action, for any purpose or in any fashion, of prices or pricing methods, production quotas or other limitations on either the timing or volume of production or of sales, or involve allocation of territories or markets or customers in any way.
3. No SFSA committee shall undertake any activity, which involves exchange or collection and dissemination among competitors, of any information regarding prices, pricing methods, costs of production, or of sales or distribution or individual company statistics of any kind, without first obtaining the advice of legal counsel, provided by the Society, as to those proper and lawful methods by which these activities may be pursued.
4. No SFSA activity or communication shall include any discussion or action which might be construed as an attempt to prevent any person or business entity from gaining access to any market or to any customer for goods or services, or to prevent or boycott any business entity from obtaining a supply of goods or otherwise purchasing goods or services freely in the market.
5. No SFSA activity or communication shall include any discussion or action which might be construed as an agreement or understanding to refrain from purchasing (or limit the prices paid for) any raw materials, equipment, services or other supplies from any supplier.
6. Neither SFSA nor any committee thereof, shall make any effort to bring about the standardization of any product or method of manufacture or certification of any product or program for the purpose of preventing the manufacture or sale of any product not conforming to a specified standard or which would tend to have the overall effect of either lessening competition or resulting in a degree of price stabilization.
7. No person or company shall be unreasonably excluded from SFSA membership or participation in any SFSA activity where such exclusion may impair such person's or company's ability to compete effectively in the metalcasting industry.
8. In conducting SFSA committee meetings, the chairman thereof shall prepare and follow a formal agenda. Minutes of each meeting shall be distributed to all persons who attended such meetings. Approval of the minutes shall be obtained from the membership of the committee at its next meeting. Copies of the minutes shall be transmitted to the headquarters staff.
9. Society speakers and authors of conference papers shall be informed of the need to comply with the Society's antitrust policy in the preparation and presentation of their papers.
10. In informal or social discussions at the site of an SFSA meeting, which are beyond the control of its officers and chairmen, all representatives are expected to observe the same standards of personal conduct required of the Society in its compliance with these antitrust guidelines. In addition, copies of the foregoing Antitrust Policy Statement and General Rules of Antitrust Compliance will be included in registration packets and will also be printed in the SFSA Committee Directory.

ANTITRUST POLICY STATEMENT OF STEEL FOUNDERS' SOCIETY OF AMERICA

The Steel Founders' Society of America (SFSA) is a trade and technical association of foundries where steel castings of metal are made.

SFSA is organized to promote the common interests of the foundry industry. SFSA is not intended to become involved, and will not become involved in the competitive business decisions of its member companies, nor will it take any action which would tend to restrain competition in the metal castings industry.

Nevertheless, it is recognized by the Board of Directors of SFSA that the Society and its varied activities could be regarded by some as a forum or opportunity to promote anti-competitive conduct. For this reason, the Board of Directors has taken this occasion, through this statement of policy, to make clear its unequivocal support for the policy of competition served by the antitrust laws, as well as its uncompromising intent to comply strictly in all respect with those laws.

In addition to the Society's firm commitment to the principle of competition served by the antitrust laws, the penalties which may be imposed upon both the Society, its corporate members, and their officers, directors, and employees involved in any violation of such laws, are now so severe that good business judgements demand that every effort be made to avoid any such violation. Certain violations of the Sherman Act, such as price-fixing, are felony crimes for which individuals may now be imprisoned for up to three (3) years or fined up to \$350,000 or both, and corporations can be fined up to \$10,000,000 for each offense. In addition, treble damage claims by private parties (including class actions) for antitrust violations are extremely expensive to litigate and can result in judgments of a magnitude which could destroy the Society and seriously affect the financial interests of its members.

It shall be the responsibility of every member of SFSA to be guided by the Society's policy of strict compliance with the antitrust laws in all SFSA activities. It shall be the special responsibility of Society officers and committee chairmen to ensure that this policy is known and adhered to in the course of activities pursued under their leadership.

To assist the SFSA staff and all its officers, directors and committee chairmen in recognizing situations which may raise the appearance of an antitrust problem, the Board will as a matter of policy furnish to each of such persons copies of the Society's General Rules of Antitrust Compliance. The Society will also make available general legal advice when questions arise as to the manner in which the antitrust laws may apply to the activities of SFSA or to any committee thereof.

Antitrust compliance is the responsibility of every SFSA member. Any violation of the SFSA General Rules of Antitrust Compliance or of this general policy will result in immediate suspension from membership in the Society, and immediate removal from any Society office held by any official representative violating the same.

Steel Founders' Society of America

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

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

Carbon & Low Alloy

Shipments	4.7	13.9	19.0
Bookings	42.7	39.0	41.4

High Alloy

Shipments	41.4	15.6	106.0
Bookings	55.6	24.7	72.0

**Department of Commerce
Census Data**

Iron & Steel Foundries (million \$)

Shipments	1,473	1,511	1,561
New Orders	1,499	1,490	1,599
Inventories	1,687	1,663	1,691

Nondefense Capital Goods (billion \$)

Shipments	61.0	62.0	61.5
New Orders	62.1	62.8	63.5
Inventories	105.4	105.6	105.4

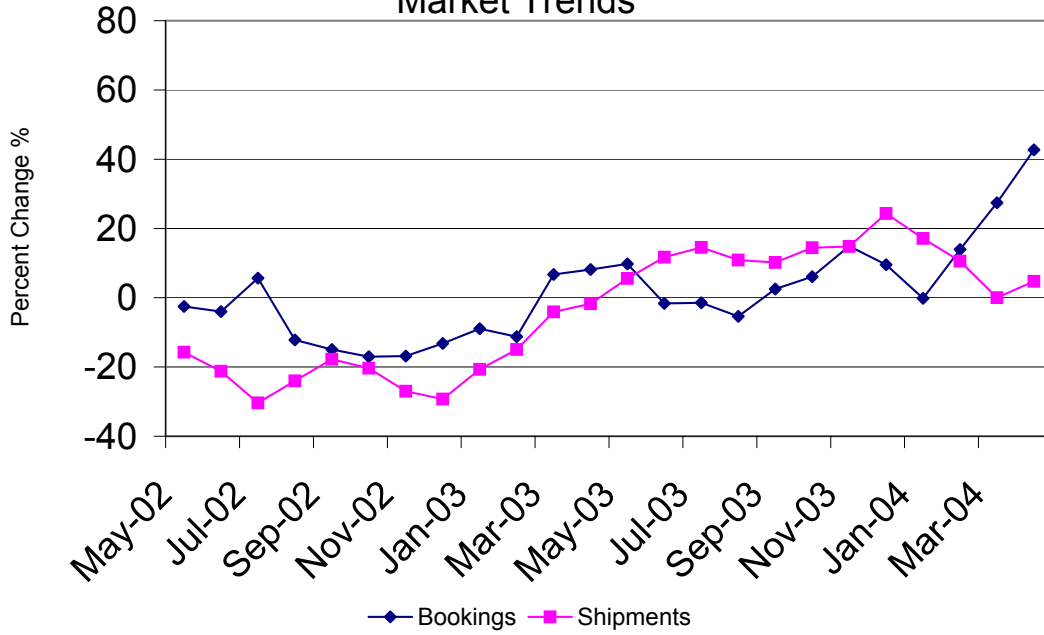
**Nondefense Capital Goods
less Aircraft (billion \$)**

Shipments	58.5	59.7	58.8
New Orders	59.7	60.1	61.4
Inventories	88.3	88.4	88.4
Inventory/Orders	1.48	1.47	1.44
Inventory/Shipments	1.51	1.48	1.50
Orders/Shipments	1.02	1.01	1.04

American Iron and Steel Institute

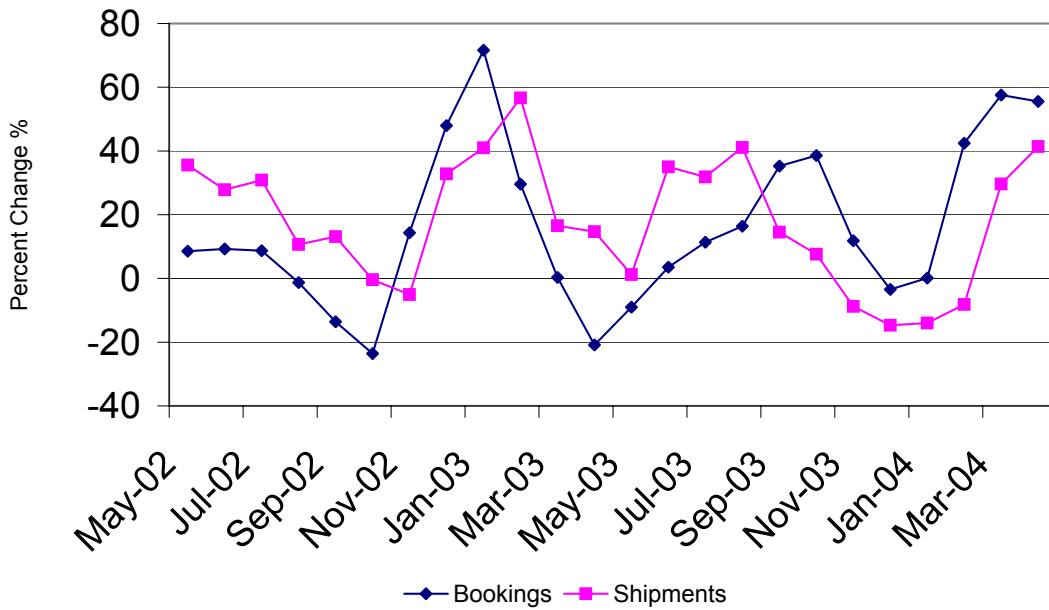
Raw Steel Shipments (million net tons)	9.4	9.1	10.0
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Carbon & Low Alloy Casting Market Trends



SFSA Postcards

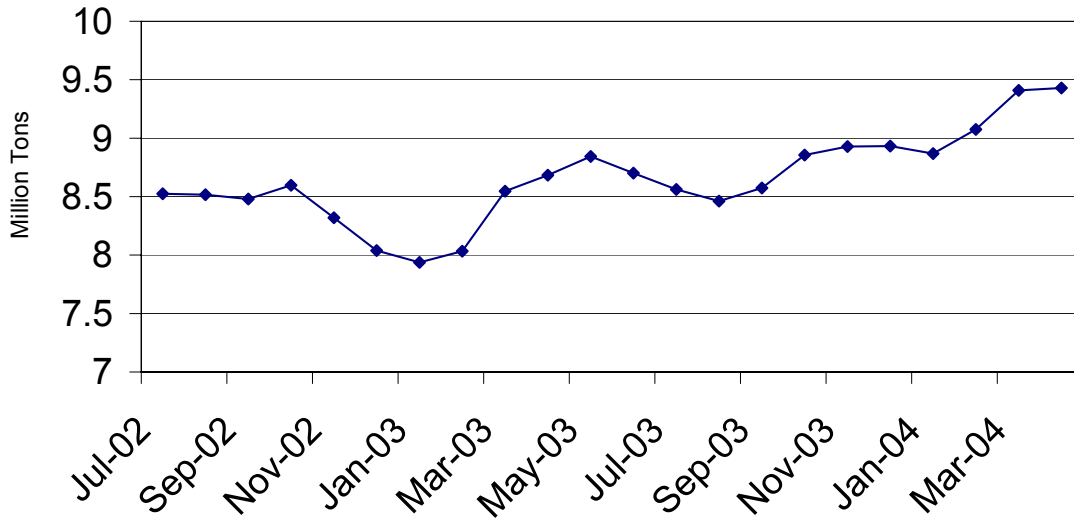
High Alloy Casting Market Trends



SFSA Postcards

Raw Steel Shipments

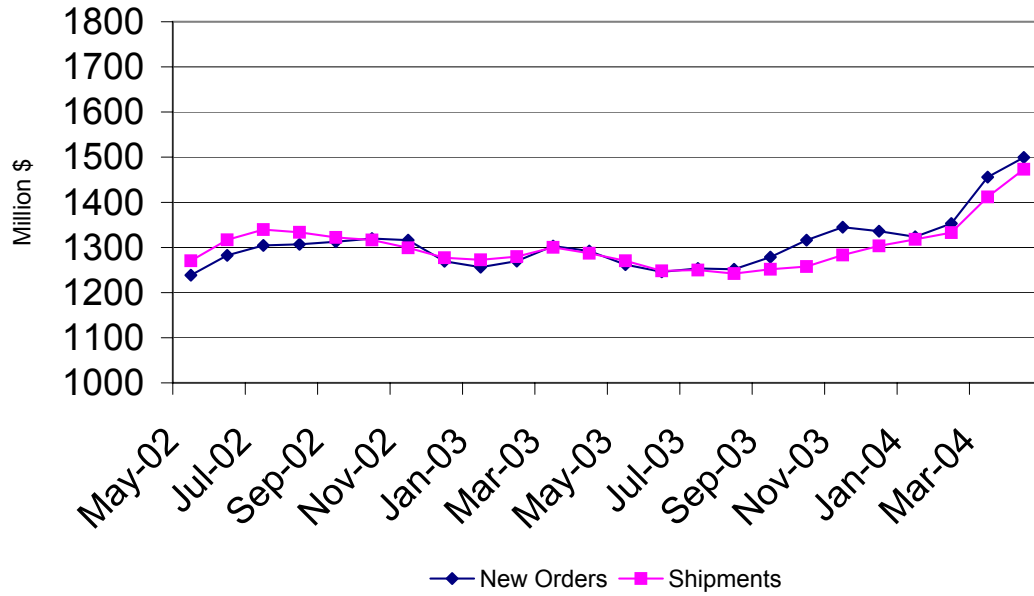
3 month average



AISI Data

Iron and Steel Castings

3 month average

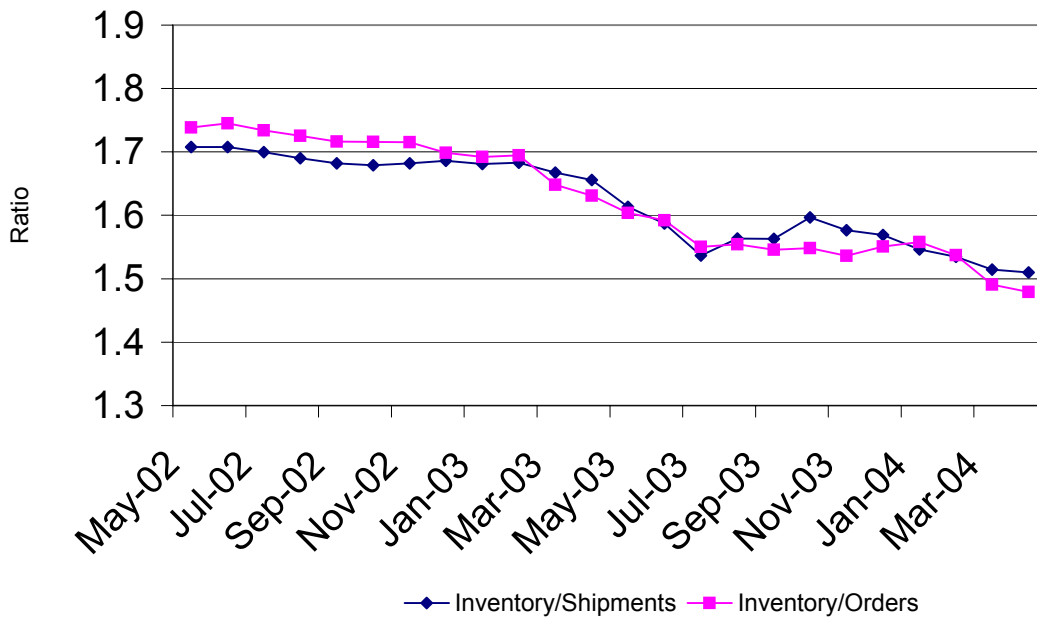


◆ New Orders ■ Shipments

SFSA

Nondefense Capital Goods less Aircraft

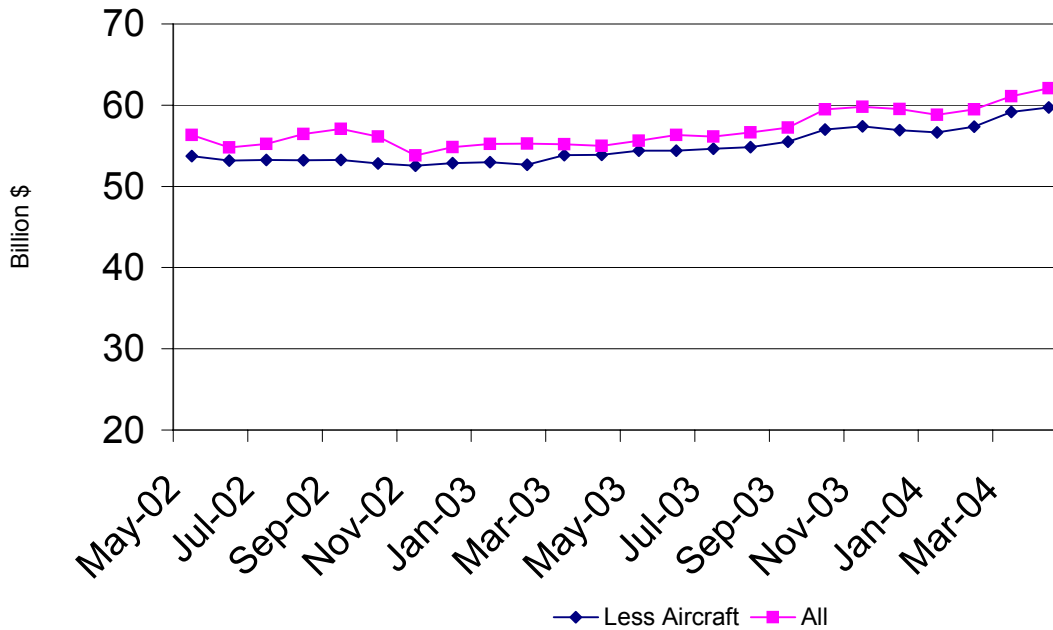
3 month average



Department of Commerce

Nondefense Capital Goods New Orders

3 month average



Department of Commerce