SFSA CASTEEL REPORTER

Steel Founders' Society of America

a monthly publication
serving SFSA steel casting industry Members

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February — 2005

Casteel Commentary Highlights:

We need help. Our industry has not hired regularly for nearly twenty years. Like our lack of investment in plant and equipment, our lack of hiring is limiting our production. After years of excess capacity, the limited supply of steel castings will require both new equipment investment and new hiring. We need to put into place hiring plans to prosper. Our future will depend on hiring the leaders we need for the future.

North Central Division T&O Meeting

On February 25, 2005 a North Central Division T&O Meeting will be held in Milwaukee, WI. Presentation topics include welding procedures and qualifications, inspection of welds in the foundry and NDT labs, and welding of high alloy and low alloy steels.

Capacity Study

The SFSA 2004 Capacity report is being mailed and will be available to members online. This report looks at the limits on supply and projects strong demand for the next decade. Please let us know if you need more information or have questions.

Membership Benefits

One benefit of membership is listing in our online directory of foundries. Nonmembers are not listed on the site. We see about 1000 searches a month, from users looking for sources. This is just one more benefit of membership.

SFSA members saved $2.4 million in total during 2004 by taking advantage of the SFSA Yellow Freight Program. Further information about this program is attached to this newsletter.

SFSA Annual Meeting

You will want to mark your calendar for the SFSA Annual Meeting, September 11-13, 2005 at Lake Tahoe. We are planning to concentrate on what the future holds for our industry. You will want to attend.

AFS Government Affairs Conference

The AFS Government Affairs Conference is March 9-11, 2005 in Washington, D.C. Your participation is critical. Our industry needs to stand up and participate. The Conference information is attached to this newsletter.

Market News

Demand for steel castings measured by increases in bookings and shipments from SFSA Trend Cards continue to show big rates of increase in November. This trend to higher demand and production is also seen in the Census numbers for iron and steel foundries shipments and new orders. Steel shipments according to AISI show some fall off but remain at high levels. Capital goods orders exceed shipments showing continued growth. The ratio of shipments or orders to inventories continued to decline to low levels. Orders continue to grow as they have for the past two years. Some markets are slowing in response to price increases. The overall market may continue to soften but demand, for steel castings, appears to remain high. Users are continuing to project increased requirements for 2005.

Casteel Commentary

We are likely over the next five years to hire a significant number of new engineers and managers to replace retirees and to expand our professional staff. We will need manufacturing engineers to help improve labor productivity to make us competitive and to fill the gap in hiring. While there is still a lot of press about a weak recovery and stagnant employment, the economy in reality is near full employment and the work force apart from immigration is not growing rapidly enough to sustain much less grow the economy.

Our demographics are poor, the last twenty years of poor demand has led the industry to allow the work force to age and not hire. In addition, excess capacity meant cost cutting which meant lean staffing. Retaining the knowledgeable workers left no room or money for hiring. As the capacity was reduced and workers retired, the gap was filled with the remaining existing engineers and managers. A few new people entered the industry but only a few.

Now as the industry anticipates the need to meet rising market demands, we face the consequences of these market limitations. Our productivity has improved but not enough to negate the need for expanding the work force. Unfortunately unemployment is low and the hard work in the steel foundry is not attractive to the labor pool. Our equipment is worn and requires constant maintenance. Our production processes require hands on management of an informed workforce.

With demand surging past our ability to produce in many areas, through put becomes the key constraint on profitability. This creates the opportunity to hire bright qualified engineers at competitive salaries and profit from their contribution. Hiring new staff, like raising prices, is not something that has been routine over the past two decades. It will be critical for the future.

To hire the best and brightest will take real effort on the part of the industry. We need to carefully assess our current and future needs and put together a careful; hiring plan. Like a future capital equipment investment plan, a hiring plan allows us to add needed capacity efficiently. To attract qualified applicants and to vet these potential new hires, we need to dramatically expand internships for students. We need to do this at the local community colleges to attract supervisors and technicians, and at the engineering schools to attract the talent we will need for future leadership.

Our future depends on who we hire!

Raymond

STEEL FOUNDERS' SOCIETY OF AMERICA
MEETINGS CALENDAR

2005

February	
25	North Central T&O Meeting, Milwaukee, WI
May	
3/4	Heavy Section Product Group Meeting & Plant Tour, Attica, IN
3/4	Marketing Committee Meeting & Plant Tour, Attica, IN
September	
10/14	SFSA Annual Meeting, Incline Village, NV
November	
2/5	National Technical & Operating Conference, Chicago, IL

STEEL FOUNDERS' SOCIETY OF AMERICA
BUSINESS REPORT

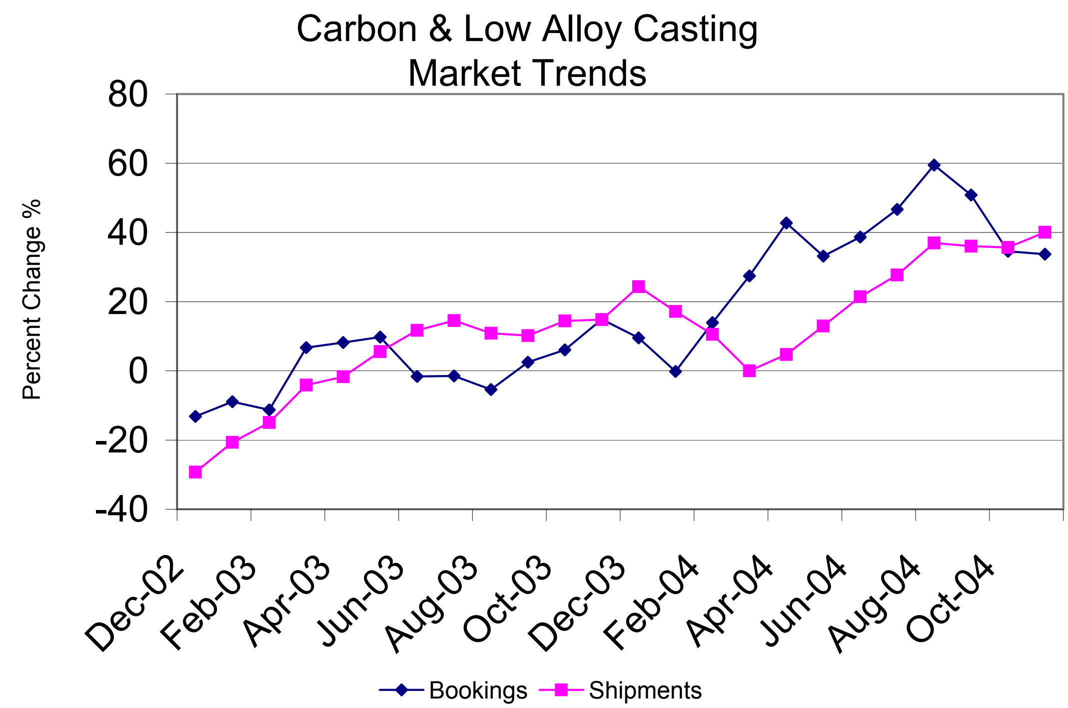
SFSA Trend Cards (%-12 mos. Ago)	3 Mo Avg	Nov	Oct
Carbon & Low Alloy			
Shipments	40.1	47.0	31.7
Bookings	33.7	55.0	14.1
High Alloy			
Shipments	132.6	159.0	155.0
Bookings	144.0	197.0	150.0

Department of Commerce
Census Data

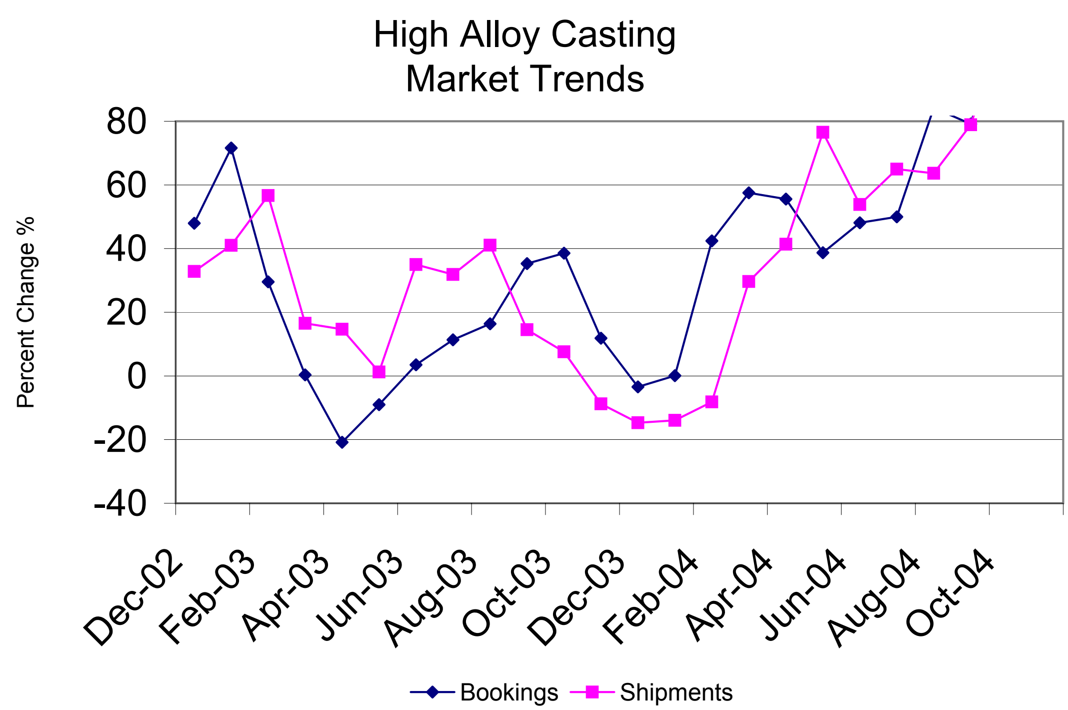
Iron & Steel Foundries (million $)			
Shipments	1,615	1,637	1,616
New Orders	1,646	1,688	1,616
Inventories	1,898	1,919	1,906
Nondefense Capital Goods (billion $)			
Shipments	64.5	64.1	65.6
New Orders	66.5	69.5	64.4
Inventories	109.9	110.9	109.6
Nondefense Capital Goods less Aircraft (billion $)			
Shipments	62.0	62.1	63.0
New Orders	62.9	63.0	62.3
Inventories	93.1	93.8	93.0
Inventory/Orders	1.48	1.49	1.49
Inventory/Shipments	1.50	1.51	1.48
Orders/Shipments	1.01	1.01	0.99

American Iron and Steel Institute

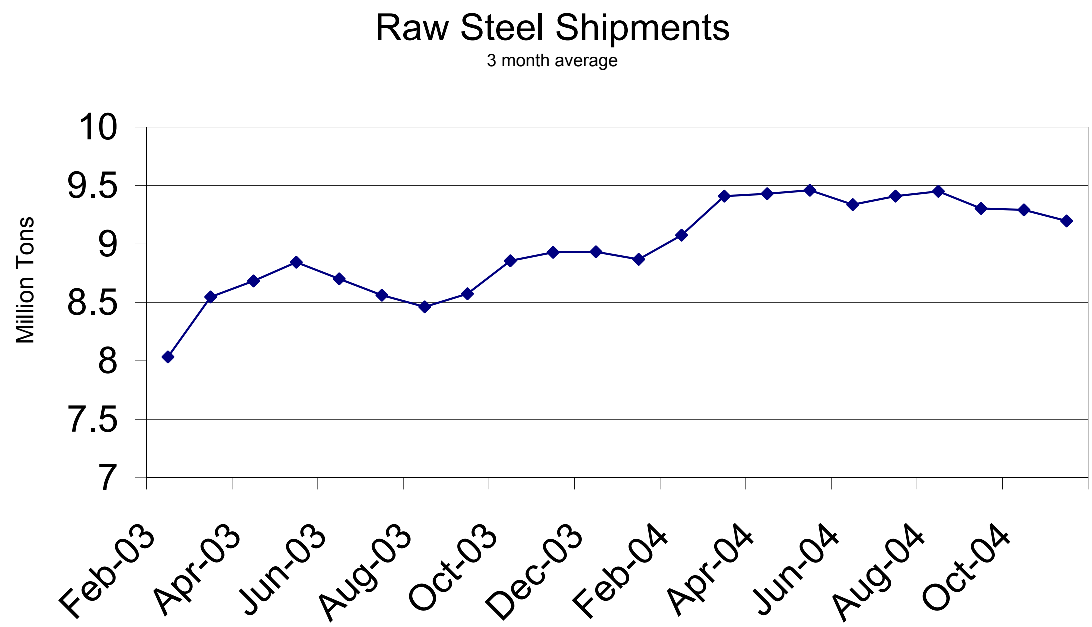
Raw Steel Shipments (million net tons)	9.2	9.0	9.3



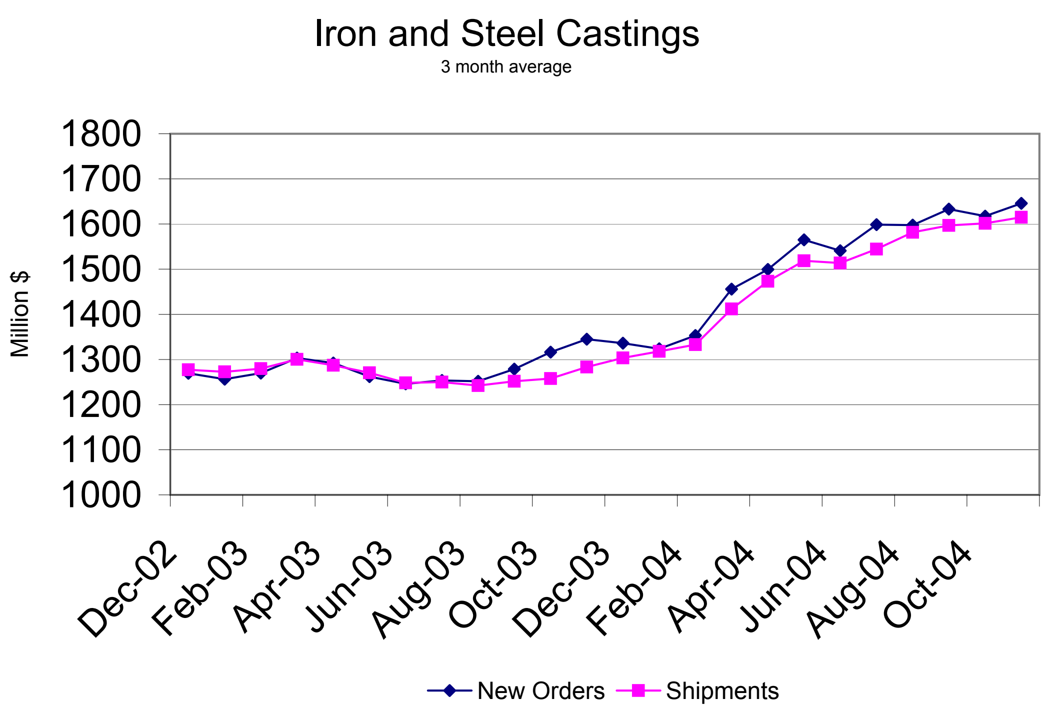
SFSA Postcards



SFSA Postcards



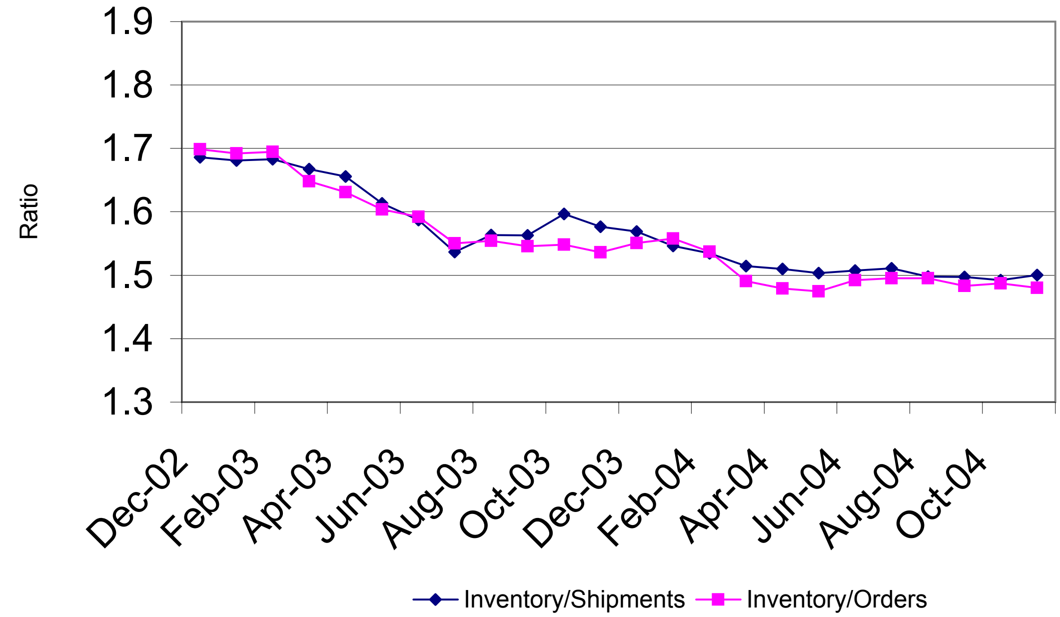
AISI Data



SFSA

Nondefense Capital Goods less Aircraft

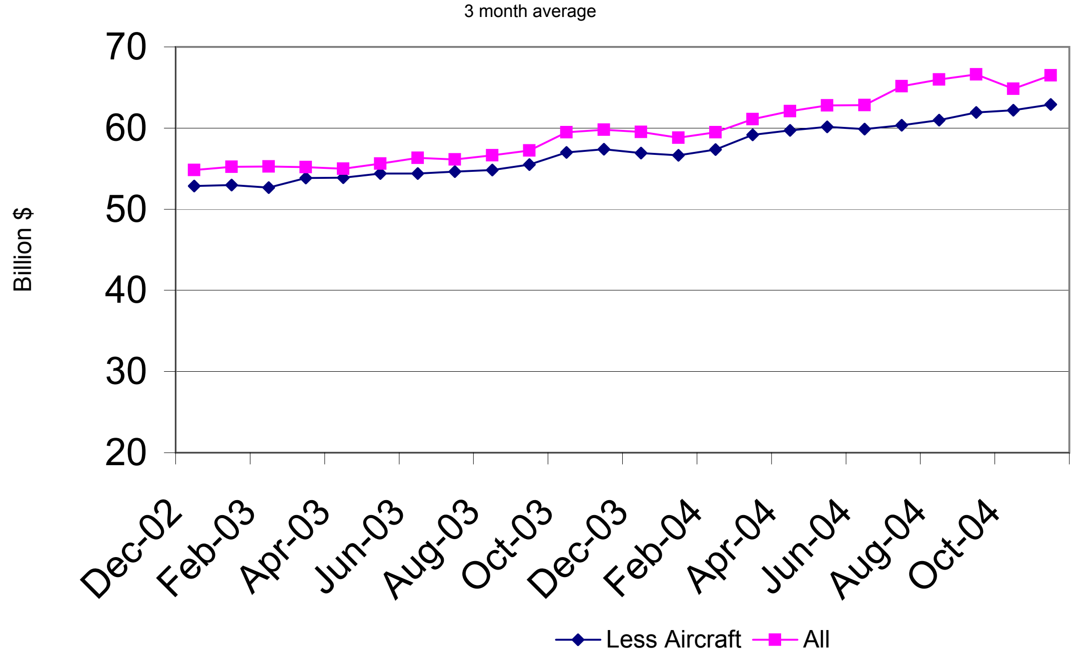
3 month average



Department of Commerce

Nondefense Capital Goods New Orders

3 month average



Department of Commerce

TRUCKLOAD vs. LTL, A NEW PENDULUM SWING

Q: I ship truckload 95% of the time. Why should I look at the rising LTL trends?

A: The truckload industry is swaying with changes in the 2004 hours regulations. All minutes are on the clock and watched closely. So, all practices have to be re-examined.

Q: Why is it harder to schedule TL? Is it possible that there is a shortage of trailers?

A: The trailers still exist. But with every scheduled pickup and delivery being tighter, infrastructures, including availabilities of drivers and tractors, have not yet caught up. Times are gone when a driver could wait hours for a truck to be loaded or unloaded. Prices are higher because the TL carrier must cover his added costs. What one driver used to do in a 14 hour day now requires two drivers. If the wait is too long, the carrier is forced to bring that driver home while they look for another to go out and finish the job. With such increased TL costs, shippers often find LTL more cost effective.

Technology, more streamlined supply chains, and shrinking warehouse space are rapidly fine tuning just-in-time (JIT) deliveries. About the time carriers have learned to avoid LATE delivery penalties, they bump into EARLY delivery penalties. Often, docking space is scheduled so tight, coordination is becoming a science. LTL is well equipped for making short stops with a more fluid movement of materials and vehicles.

Truckload and volume prices get new adjustments. The new hours rules also make it more difficult for a TL carrier to coordinate dropping off a load and picking up a return load in the same vicinity, all within their time parameters. Often they pull empty trailers back home, reducing revenue and profit margins. Transportation analysts agree LTL is looking better all the time.

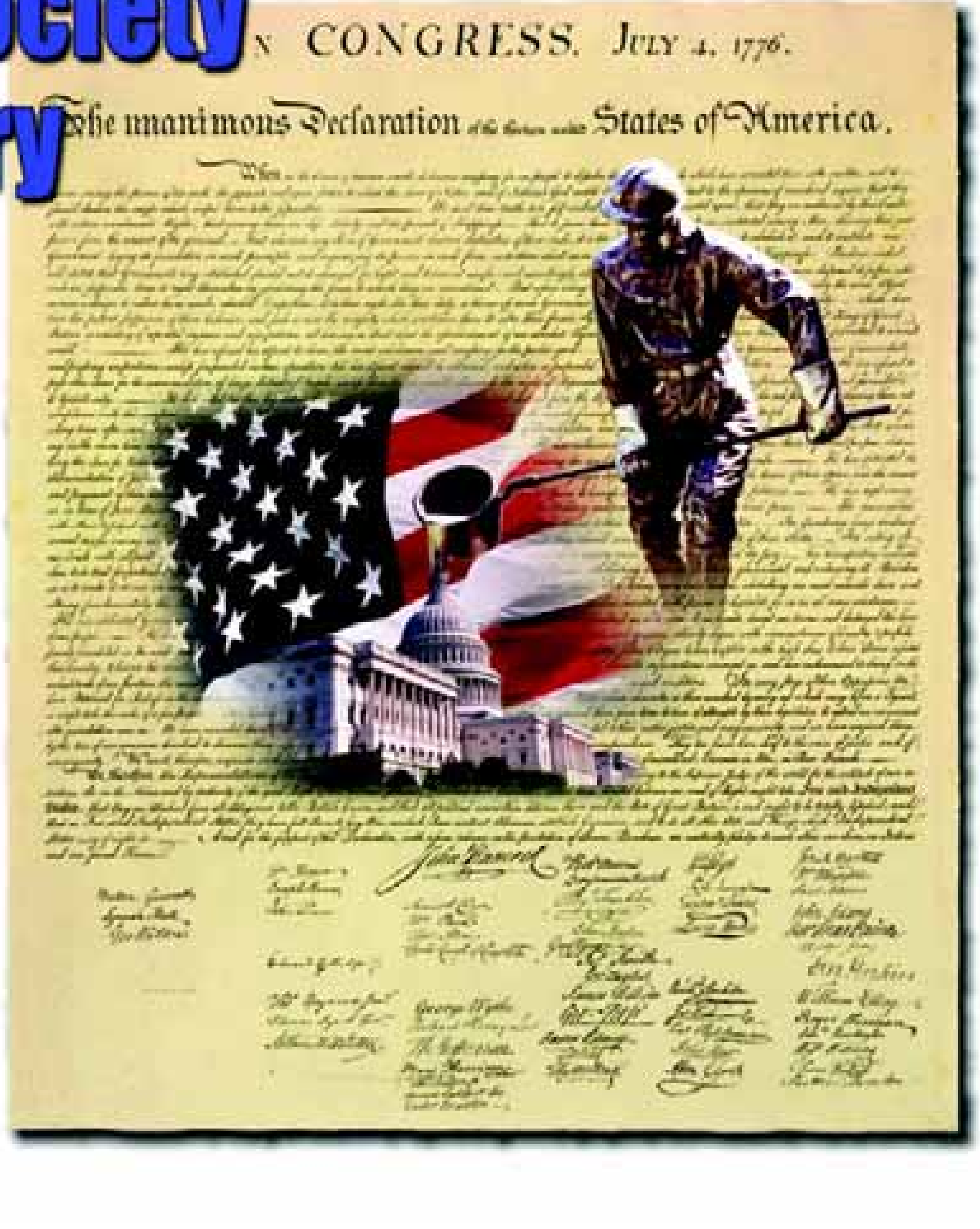
Staying abreast of current industry changes helps you in making wise choices and adjust directions in your business forecast.

American Foundry Society Metalcasting Industry Government Affairs Conference

Founders of the Nation - Casters of the Future

March 9–11, 2005

Loews L'Enfant Plaza Hotel
Washington, D.C.



Make your plans NOW to attend.

We need your voice in Washington!

AFS Metalcasting Industry Government Affairs Conference

Founders of the Nation – **Casters of the Future** **March 9-11, 2005**

Loews L'Enfant Plaza Hotel ★ 480 L'Enfant Plaza ★ Washington, D.C. 20024 ★ Hotel phone: 202/484-1000

Make your plans now to attend the 2005 AFS Metalcasting Industry Government Affairs Conference, March 9-11, 2005. We need your voice in Washington today as we did in 1776.

The American foundry industry has a long, proud tradition of creating the items needed to make the United States go. In fact, seven signers of the Declaration of Independence were foundrymen and helped cast the direction of a fledgling democracy. These businessmen realized that for this new American government to work, participation by its citizens was vital.

Everyday policy makers in Washington are involved in decisions that impact your business' bottom line. Each new initiative brought forth by Congress has the potential to give needed help or hinder your ability to remain competitive and grow in the global market.

YOU CAN MAKE A DIFFERENCE! Your voice is needed in DC to tell your elected government officials about the importance of the U.S. remaining a competitive location for businesses.

AFS Metalcasting Industry Government Affairs Conference

AGENDA

Wednesday, March 9

1:30-5:30 p.m.

Wednesday afternoon will focus on current legislative issues and the impact on your ability to compete against low-cost imports.

Thursday, March 10

The day will kick-off with a breakfast and briefing at 8:00 a.m. Following that attendees are encouraged to make hill visits and discuss issues that are affecting your business with your Congressional representatives. **Call Capitol Hill at 202/224-3121 to contact your congressional offices and schedule an appointment.** Thursday evening we will have a reception with guest speaker Newt Gingrich.

Friday, March 11

8:00.-11:30 a.m.

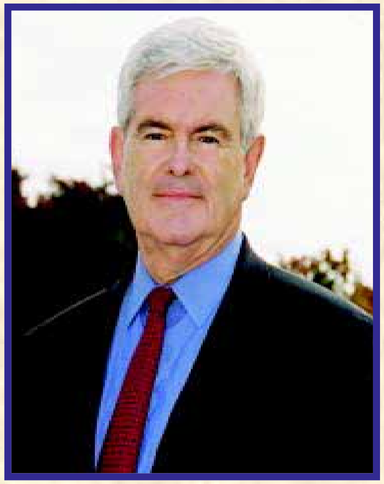
Friday will be dedicated to regulatory issues. Various representatives from OSHA and EPA will be on hand to discuss regulations that are affecting you and the cost to do business.

(For a more complete agenda, please visit our website at www.afsinc.org)

SPEAKERS

Newt Gingrich – Guest Speaker, Thursday evening, March 10

Newt Gingrich is well known as the architect of the Contract with America that led the Republican Party to victory in 1994 by capturing the majority in the United States House for the first time in 40 years. After he was elected Speaker, he disrupted the status quo by moving power out of Washington and back to the American people. Under his leadership, Congress passed welfare reform, passed the first balanced budget in a generation, and restored funding to strengthen our defense and intelligence capabilities, in addition to passing the first tax cuts in 16 years.



Newt Gingrich

But, there is a lot more to Newt Gingrich than these remarkable achievements. As an author, Newt has published seven books including the best sellers, *Contract with America* and *To Renew America*. His most recent books are *Saving Lives & Saving Money*, which demonstrates how to transform health and healthcare into a 21st century system; *Gettysburg: A Novel of the Civil War* an active study in the lessons of warfare based on a fictional account of the battle of Gettysburg; and the sequel, *Grant Comes East*, co-authored with William Fortschen.

Newt Gingrich is CEO of the Gingrich Group, a communications and consulting firm that specializes in transformational change, with offices in Atlanta and Washington, DC. He serves as a senior fellow at the American Enterprise Institute in Washington, DC, a distinguished visiting fellow at the Hoover Institution at Stanford University in Palo Alto, California, the honorary chairman of the NanoBusiness Alliance, and as an advisory board member for the Museum of the Rockies. Newt is also a news and political analyst for the Fox News channel.

Other invited speakers include: Rep. Donald Manzullo (R-IL), Todd Tiahrt (R-KS) and Rep. Tom Delay (R-Tex)

AFS Metalcasting Industry Government Affairs Conference

The conference will begin at 1:30 p.m. on Wednesday, March 9 and conclude at 11:30 p.m. on Friday, March 11.

Registration Information

AFS Member.......$550 Nonmember.......$650

Name ____________________________

Title ____________________________

Company ____________________________

Address ____________________________

City ______________ State __________ Zip/Postal Code __________

Phone ______________ Fax ______________

Email ____________________________

❑ Check Enclosed

The following information is required to charge: ❑ American Express ❑ MasterCard ❑ VISA

Account# ____________________ Exp. Date __________

Authorized Signature ____________________________

Mail to: **American Foundry Society, Inc.,** 1695 N. Penny Lane, Schaumburg, IL 60173, Fax: 847/824-7848

Conference Fees: Conference registration is $550 for AFS Members and $650 for nonmembers. Fee includes conference registration, materials, breakfast, luncheon, reception and coffee breaks.

Cancellations and Substitutions: Substitutes will be accepted at any time. However, cancellations of confirmed registrants with full refund of fees cannot be accepted unless received one week prior to conference date. In the unlikely event the conference is canceled for any reason, AFS liability is limited to the return of the registration fee.

Housing Information: Hotel reservations must be made directly with the Loews L'Enfant Plaza Hotel, 480 L'Enfant Plaza SW, Washington DC 20024, Phone: 202/484-1000. Ask for "American Foundry Society Conference" room block. A room rate of $189 single and double is available to conference participants. Room reservations must be made by February 9. Any reservations made after this date will be confirmed on a space-available basis.

American Foundry Society
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