



# SFSA CASTEEL REPORTER

Steel Founders' Society of America

a monthly publication  
serving SFSA steel casting industry Members

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## April — 2007

### **Casteel Commentary Highlights:**

This month's Casteel Commentary discusses how steel foundries should take advantage of the positions of their products in their respective markets to arrive at an appropriate pricing strategy.

### **Spring Management Meeting**

The SFSA Spring Management meeting was held April 13th. The presentations were concerning current economic conditions and the competitive pressures from China. The presentation materials are available on the SFSA web site here: <http://www.sfsa.org/meetings/spring2007/>.

### **SFSA Annual Meeting**

The SFSA Annual Meeting is scheduled for August 19-21 in Anchorage, Alaska. We have not finalized the program but already have commitments for an exciting line up of presentations. We have a panel on raw materials price and availability including Jim Csonka on ferroalloys, Doug Trinowski on binders and Bob Garino on scrap. Tom Danjczek of the Steel Manufacturers' Association will talk on Steel- Policy and Politics. We also have Skip Trafford from Americast scheduled to present on doing business in China. Of course we will have an update on market conditions and our SFSA 2008 market forecast. New this year will be an opening session. Attendees will participate in smaller breakout sessions at the beginning of the meeting to discuss business conditions and other topics like repair and maintenance costs, safety, etc. This will break the ice and allow attendees to tailor their benefit by allowing discussions

of their most pressing issues. Information about the meeting will be mailed to SFSA members.

### **Safety and Human Resources Meeting**

The Safety and HR meeting will be held on Wednesday September 18 at Atchison Steel Casting and Machining in Atchison, KS, with a plant tour on Thursday September 19.

### **Research Review**

The Carbon and Low Alloy Research Review will be held July 18 and 19 at the Wyndham O'Hare in Rosemont, IL. This meeting provides an opportunity for SFSA members to hear from the researchers the progress of their work. Most importantly it gives members an opportunity to provide input into the direction of the work enabling the greatest value to be achieved by the member foundries.

Presentations will be made on Lost Foam Steel Castings, Development of High Strength Steels, Triplex Steels, Melting Efficiency Improvements, Surface Indications, Niyama Gage R&R, Rapid Patternmaking, Laser data capture of 3D part data, Pressurized Risers, Hot Tears, the effect of indications on performance, heat treatment distortion, and inclusion formation. Please contact SFSA for more information.

### **Innovation**

One of the challenges faced by our industry is the erosion of engineering capabilities at our customers. As companies have reduced costs and outsourced component

production, they have lost much of their internal technical talent. This makes it difficult to have the manufacturing flexibility as materials and alloys become more expensive or even unavailable. Many customers order grades like they are brand names instead of alloy ranges. This limits the ability to shift compositions to achieve the required properties while reducing cost and improving availability. This would argue for the use of A148 strength levels as a way to avoid specifying composition. This is limited since the producer must be sensitive to the application, such as welding requirements.

One good example of this is the use of duplex stainless steels. Duplex stainless contains less nickel, has better corrosion resistance especially to pitting in seawater, and is considerably stronger. The Europeans maintained a stronger technical infrastructure and have applied the duplex materials ten times as fast as the US. SFSA has done research to show that duplex stainless steel castings have similar strength and corrosion resistance (actually a little better) to pipes and bars. We should be actively promoting the use of duplex stainless with our customers based on this research.

### **Persons Available**

A1220 seeks a summer position in metallurgical engineering and is pursuing a BS in Metallurgical Engineering. Experienced with AutoCAD and MAGMASoft.

### **Specification Note**

Cracks are not allowed in castings made to ASTM requirements. All ASTM grades of steel castings must comply with either ASTM A781 or A703 general technical delivery requirements. A 781 8.1 and A703 10.1 require, "The surface of the casting shall be free of adhering sand, scale, cracks, and hot tears as determined by visual examination." A781 8.3 and A703 10.2 do not allow you topeen or plug rejectable indications which would include

cracks seen in visual inspection. If there is some question as to whether a feature that appears to be a crack is indeed a crack, the producer is allowed to grind or apply MT or PT. This allows the producer to demonstrate that a surface feature that may be interpreted as a crack is indeed not a crack. Novice users may suffer under the impression that castings are full of cracks and unreliable. The casting standards do not allow cracked castings to be supplied and this is identical to the requirements for welds.

### **Market News**

The SFSA trend cards show an ongoing stabilization after the rapid increase in demand the prior three years. Bookings remain ahead of shipments but both are near close to no net change, providing many operations with much needed breathing room to make needed changes and to develop more rational production schedules. Lead times still reflect strong market conditions with the 12 mo. Avg. less than the 3 mo. Avg.

Iron and steel casting orders and shipments reflect a slowdown but orders are still outpacing shipments. Steel mill shipments are also down. Both of these reflect their increased exposure to the general consumer economy. Steel casting production is more tied to the production and transportation of commodities and continuing high commodity prices support the continued demand for replacement capital equipment. Upward pressure on interest rates and continued high commodity prices suggest an ongoing strong market demand for most steel casting products. Additional market news can be found in the SteelGuru document on the Casteel Reporter web page.

Looking at the 12 mo. Avg. for the past few years shows the strong growth in demand for surviving foundries. The growth according to the increases in shipments shows a growth of 23.5% in 2004, 26.5% in

2005, and 12.9% in 2006. These double digit growth rates have taken many market segments to capacity constraints and are unlikely to continue. The market forecast for 2007 from SFSA is 2%.

Casting prices in China continue not to reflect the full cost of production. China has limited natural resources and pays world

prices for energy and raw materials. Prices in October 2006 at current exchange rates were: carbon steel 6300 yuan/ metric ton or \$815, alloy steels 8,500 yuan/ metric ton or \$1,100, and 18-8 stainless steel 30,000 yuan/ metric ton or \$3,900.

### **Casteel Commentary**

In the WSJ a couple weeks ago was an article that struck me as particularly relevant to us as steel casting producers. The article profiled a CEO at a major industrial equipment manufacturer in fluid power systems. He had been in place for a few years when criticism of his leadership became common. He had effectively led the organization to production with lowered costs, improved quality, and unique products; but had not improved their return on sales. As he determined the reason for their lack of improved profitability in spite of improved performance, it became apparent that the culprit was their simple and inappropriate method of pricing.

Like many organizations, the company had historically used a gross margin method of arriving at the price, (price=cost/ (1-gross margin)). This meant that if the company improved production and lowered the cost, they automatically lowered the price. If they developed a unique technology and were the only supplier in the world, the price was still set at their gross margin target. It is no wonder that their return on sales was not improving since it was tied to their simple but inaccurate method of determining price.

The CEO implemented a change in pricing structure based on the type product the company was producing. On one end of the spectrum were products that were common in the industry with multiple suppliers in the global marketplace without any obvious quality or performance distinctions. In these markets, gross margin was retained and production and market share would reflect the company's competitive position. At the other end of the spectrum were products for which they were the sole source. Their unique product and production technology made them the only supplier capable. On this end of the market they changed their pricing structure to reflect the market value of their product, not the cost of production. Market value is the cost to the user of not having that component or part. To complete their pricing strategy they developed three intermediate categories where they had a technology or performance advantage but there were some alternatives. This new policy was generally accepted when explained to the customer and led to dramatically improved performance in their return on sales.

Customers should desire that suppliers with superior products and technology have better financial performance so that they have the resources to innovate and the incentive to remain in the marketplace. I fear that too many steel foundries are insufficiently aware of the need for this type of pricing strategy. Overcapacity in the marketplace tended to remove competitive advantages and force all to a commodity gross margin strategy. The better current balance of supply and demand should allow suppliers to have more appropriate pricing strategies needed to innovate and expand. Most steel foundries have some products where they are one of the few or perhaps the only qualified source. It is in the interest of the customer for the foundry to adequately price these unique products to ensure their continued and improved supply.

**Raymond**

# STEEL FOUNDERS' SOCIETY OF AMERICA

## MEETINGS CALENDAR

### 2007

May 8	Specifications Committee, Norfolk, VA
July 18-19	C&LA Research Review, Rosemont, IL
August 18/22	SFSA Annual Report, Alyeska Resort, AK
September TBD 18-19	High Alloy Product Group Meeting, Houston, TX Safety Committee & Human Resources Meeting, Atchison, KS
November 13	Specifications Committee Meeting, Tampa, FL
December 12/15	National Technical & Operating Conference, The Drake Hotel, Chicago, IL

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

<b>SFSA Trend Cards</b> (%-12 mos. Ago)	12 Mo Avg	3 Mo Avg	Jan	Dec
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**Carbon & Low Alloy**

Shipments	9.9	-2.8	-3.9	0.6
Bookings	16.6	1.9	28.5	-12.0
Backlog (wks)	11.6	12.1	13.0	11.6

**High Alloy**

Shipments	14.1	-14.6	-33.0	-23.6
Bookings	19.4	21.7	47.0	-17.7
Backlog (wks)	11.2	11.9	14.0	10.7

**Department of Commerce  
Census Data**

**Iron & Steel Foundries (million \$)**

Shipments	1,645.1	1,589	1,542	1,612
New Orders	1,661.6	1,603	1,514	1,696
Inventories	2,160.2	2,312	2,329	2,309

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

Shipments	67.5	66.8	65.5	67.3
New Orders	76.2	75.3	70.8	81.1
Inventories	112.8	115.4	116.5	115.8

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

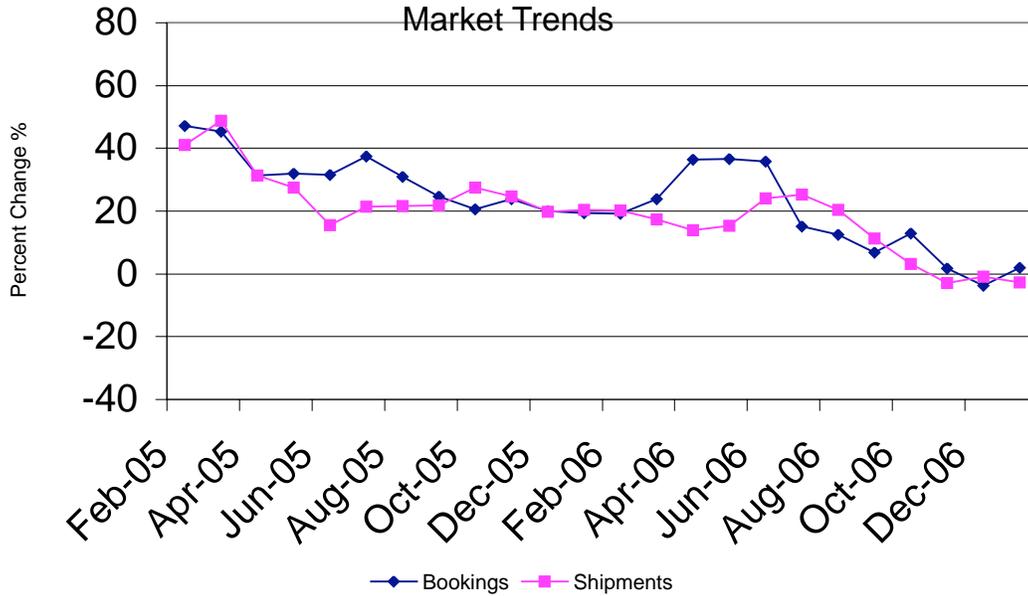
Shipments	62.2	61.6	60.4	62.2
New Orders	64.4	62.9	60.2	65.2
Inventories	94.5	96.6	97.6	96.6

Inventory/Orders		1.54	1.62	1.48
Inventory/Shipments		1.57	1.62	1.55
Orders/Shipments		1.02	1.00	1.05

**American Iron and Steel Institute**

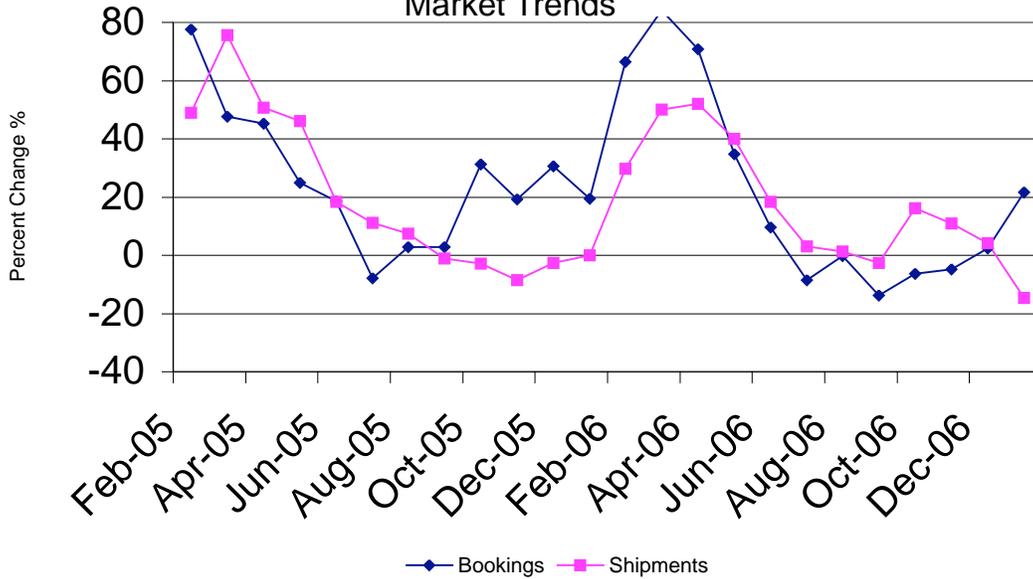
Raw Steel Shipments (million net tons)	9.0	8.1	8.6	7.6
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### Carbon & Low Alloy Casting Market Trends



SFSA Postcards

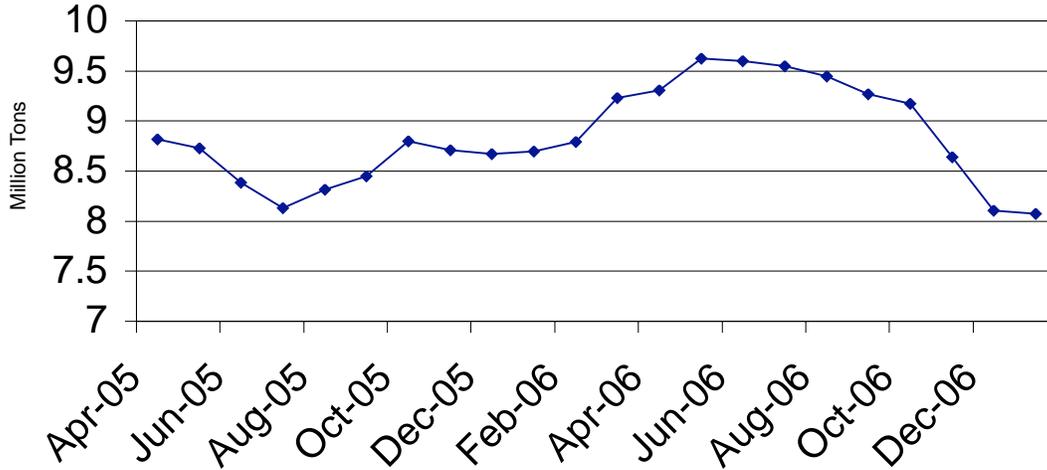
### High Alloy Casting Market Trends



SFSA Postcards

# Raw Steel Shipments

3 month average



AISI Data

# Iron and Steel Castings

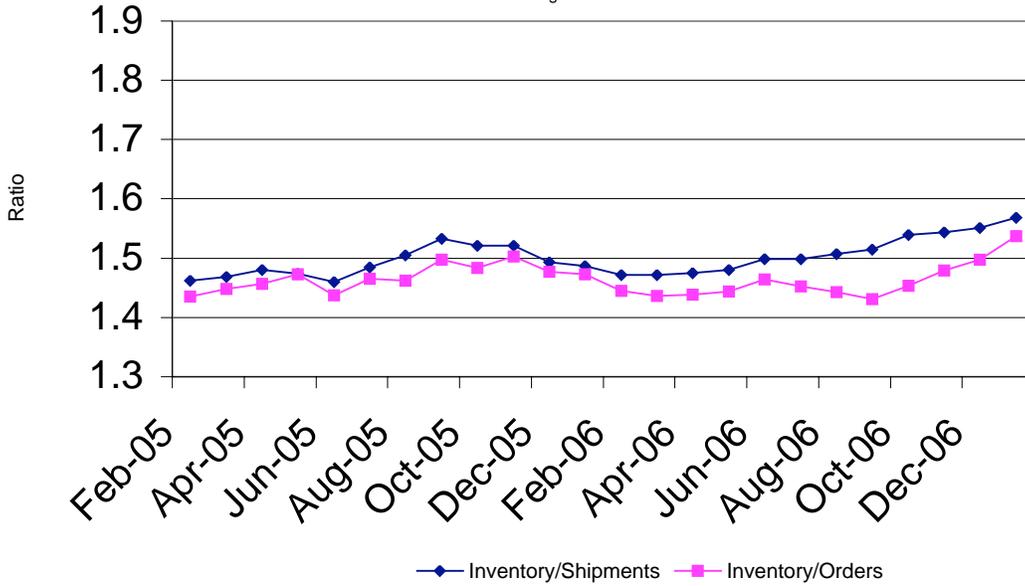
3 month average



SFSA

### Nondefense Capital Goods less Aircraft

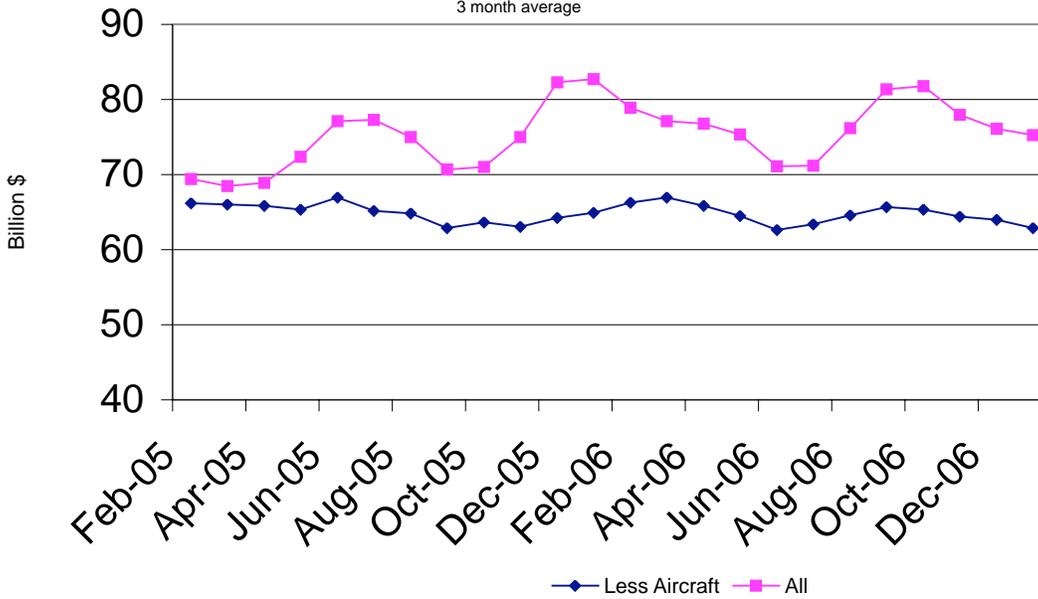
3 month average



Department of Commerce

### Nondefense Capital Goods New Orders

3 month average



Department of Commerce

Dear International Trade Professional,

Below is a list of upcoming int'l trade events, which our office is organizing or co-sponsoring/supporting. We hope that you will be able to join us for at least one of them! You can also access this list as well as info on other upcoming int'l events & missions at

<http://www.buyusa.gov/midwest/events.html>

Best Regards,

Debra H. Rogers

Senior International Trade Specialist

U.S. Department of Commerce

Commercial Service - Chicago

T: 312-353-6988

\*co-located with US Exim Bank and SBA at the U.S. Export Assistance Center

**April 18, 2007: Exporting to the Nordic Countries - Chicago**

The Nordic Region (Denmark, Finland, Norway, Sweden) constitutes one of the world's largest economies, with 24 million consumers, a large concentration of multinational companies, and high per capita incomes. The U.S. ambassadors to all four countries will speak at this breakfast briefing on business opportunities in the region. There will also be limited opportunities for one-on-one meetings with U.S. Department of Commerce Senior Commercial Officers and Commercial Specialists serving in these four countries. Co-organized by the U.S. Commercial Service - Chicago Office, the World Trade Center Illinois, and the Chicagoland Chamber of Commerce. \$40 for WTCC & CLCC members; \$50 for non-members. Registration is mandatory. Please download form at [http://www.wtcc.org/Portals/\\_WTCC/Documents/Nordic%20Ambos%20Invitation.pdf](http://www.wtcc.org/Portals/_WTCC/Documents/Nordic%20Ambos%20Invitation.pdf) or <http://www.buyusa.gov/midwest/191.html>

**April 18, 2007: Healthcare Opportunities in Turkey, Jordan and Egypt -Webinar**

This event is a premier webinar on April 18th, 2007 for U.S. companies serious about the market potential in Turkey, Jordan and Egypt. The Commercial Service Specialists in each country will provide an overview of the market and best prospects. You will hear from businesspersons who are successfully exporting in these markets. The development of the Turkish, Jordanian and Egyptian economies are offering tremendous opportunities for U.S. businesses with the right healthcare products and services. The session is scheduled for 10:00 CST and the cost is \$25.00 For information and registration, see: <http://www.buyusa.gov/healthcare/turkeyjordanegyptweb.html>

**April 18 - May 31, 2007: Export Fundamentals Webinar Series**

Interested in refining your export management skills? The Midwest offices of the U.S. Commercial Service have partnered with FedEx to develop a series of web-based seminars that will help your business enter or expand in the international marketplace. Topics & Dates:

1. April 18: Managing Transportation & Logistics
2. April 25: Ensuring Payment for Int'l Sales
3. May 16: Finding International Distributors & Agents
4. May 31: Protecting Intellectual Property Overseas

Each session will feature expert presenters in an interactive format that allow participants to ask questions. All sessions are scheduled for 10:00-11:00 a.m. CST and will carry a \$35 fee. The easy-to-use webinar technology allows participants to join from their offices or homes. For information & registration, see <http://www.communityseason.com/Web/Navigate.aspx?goto=UsExportWebEvents> or call 612-348-1638.

**April 23, 2007: North American Trade Opportunities - Chicago**

This conference will address the positive impact of, as well as some of the misconceptions about the North American Free Trade Agreement (NAFTA) since it went into effect in January 1994. This conference will also facilitate conversations and networking with experienced business professionals from North American countries who have succeeded as a result of NAFTA. The conference is geared toward CEOs, Presidents and other senior management of U.S.-based companies, to help them gain a better understanding of conducting business with companies in Canada and Mexico. 7:30a.m.-2:00p.m. at the University of Chicago Gleacher Center. \$149- Members of WTCC and partnering organizations; \$249-Non Members & \$75-Students. Organizing Partners: The Canadian Consulate General in Chicago, The Consulate General of Mexico in Chicago, Bancomex, US-Mexico Chamber of Commerce, NORBIC, World Trade Center Illinois, U.S. Department of Commerce and the Chicagoland Chamber of Commerce. For info, email [amajeed@wtcc.org](mailto:amajeed@wtcc.org) or see [http://www.wtcc.org/Portals/\\_WTCC/Documents/bccc18ea-202b-41a9-b750-82370f756303.pdf](http://www.wtcc.org/Portals/_WTCC/Documents/bccc18ea-202b-41a9-b750-82370f756303.pdf)

**April 24, 2007: EU Directives & Standards in a Wider Europe WEBINAR - 12:00-1:30PM CST.**

The European Union (EU) is the largest political and economic entity on the European continent, with approximately 500 million people and an estimated GDP of US\$14.2 trillion and 30% of the world's economy. This region represents huge potential for U.S. companies, but can present challenges to small or first-time exporters. EU Standards and Product Certificate in a Wider Europe - Sylvia Mohr, Standards Specialist, U.S. Mission to the European Union, Brussels, Belgium - Ms Mohr provides information to U.S. exporters about EU product certification, in particular CE marking and European standards. Ms Mohr will address the role of the U.S. Commercial Service in Europe, the newest EU member states and share her expertise on EU standards and obtaining the CE mark. The Role of a US-Based CE Mark Testing Body - Mr. Sweeney is President of D.L.S. Electronic Systems, Inc. (D.L.S.), of Wheeling, Illinois. D.L.S. specializes in electromagnetic compatibility, radio frequency interference (RFI) and safety testing and consulting. D.L.S. is a conformity assessment body for electromagnetic compatibility, EU directives and standards. Presented by the U.S. Commercial Service Manufacturing Team, Fee: \$35 per person. To register go to <http://www.buyusa.gov/greatlakes/euwebinarregform.html>. Payment for registration by check should be made in advance and payable to SODEC. Checks should be mailed to SODEC, 401 North Front Street, Ste. 200, Columbus, OH 43215. If paying by credit card or experience difficulties, please call (614) 365-9510.

**May 3, 2007: How to Boost Exports to China - Midwest Success Stories -Webinar**

Already doing business in China but need to ramp up?; Tips on how to identify best opportunities for growing sales; ID best prospects and understand the route to those market segments; Advice from one Midwest manufacturer thriving in China. Join this U.S. Dept of Commerce webinar featuring Rockford firm, Eclipse Combustion Inc. and China market strategist firm, Technomic Asia. Time - 10 am CT. Fee: \$25. Save the date - Registration info available shortly. Please email indication of interest to [julie.carducci@mail.doc.gov](mailto:julie.carducci@mail.doc.gov).

**May 9, 2007: International Trade Basics - Chicago**

Basic components of international trade are discussed by speakers active in the export and import industry. They cover legal issues, financial and banking, freight forwarding, customs, and sound techniques for exporting and importing products as well as U.S. government financial programs. 9:00 a.m.- 4:00 p.m. Fee: \$60. Organized by SCORE/SBA. Register at <https://www.123signup.com/servlet/SignUp?cat:58=246&PG=1522055182300&P=152205500>

**May 15-16, 2007: Trade Winds Forum: Africa, Europe, & India - Virginia**

Trade Winds Forum will feature 33 U.S. Senior Commercial Service Officers from U.S. Embassies across Europe, Africa and India. Each of these Commercial Officers is in a unique position to deliver the most up-to-date information on developing opportunities for U.S. business. While at the

conference you will have the opportunity to meet privately with the U.S. Senior Commercial Officers to discuss business opportunities for your company. Private appointments are on a first come, first served basis, so register today while space is still available. This Forum will also feature leading experts from the private sector and key U.S. government officials addressing important industry trends and trade topics critical to all successful U.S. exporters. From International Contracts to Intellectual Property Rights participants will be able to customize their conference experience by selecting from over 25 breakout panel sessions! This Forum will also feature two keynote luncheons and an evening reception. This extraordinary two-day event will feature plenty of networking opportunities with all panel speakers. Whether you have been exporting for decades or are just preparing a market-entry strategy, don't miss this opportunity to get the latest market information and advice your company needs to grow your international business. Early bird rate thru March 30.

<http://www.buyusa.gov/southcarolina/tradewinds.html> If you have questions, please contact Greg Sizemore at 704-333-4886, or [greg.sizemore@mail.doc.gov](mailto:greg.sizemore@mail.doc.gov)

**May 21, 2007: Attracting International Students to Illinois - Chicago**

The Study Illinois international education consortium will host its fourth annual conference on attracting international students to Illinois. Approximately 25,000 foreign students currently study in Illinois, contributing about \$600 million annually to the state's economy. Our featured speakers will be the U.S. Department of Commerce Education Specialist from the Philippines, and 8 U.S. State Department-affiliated overseas education advisers from Bolivia, China, Dominica, Mexico, Poland, Hong Kong, and Russia. They will speak on the latest higher education trends in their home countries and what students there are looking for in a study abroad experience. The conference is supported by the U.S. Commercial Service - Chicago Office, the International Trade Association of Greater Chicago, and the Illinois Office of Trade and Investment. 8:00 a.m.-12:30 p.m. at DePaul University Conference Center, 1 E. Jackson Blvd, Room 8005. Continental breakfast included. \$10 for Study IL members; \$20 for non-members. Contact: Debra Rogers at 312-353-6988 or [debra.rogers@mail.doc.gov](mailto:debra.rogers@mail.doc.gov).

**June 6, 2007: Successful RoHS Implementations: A Practical Guide - Northbrook, IL**

Underwriters Laboratories, Inc. (UL) and the Libertyville Export Assistance Center are sponsoring a seminar titled, "Successful RoHS Implementations: A Practical Guide" on Wednesday, June 6, 2007 from 8:30 AM - 11:00 AM at UL, 300 Pfingsten Road, Northbrook, IL. As of July 6, companies selling a broad range of electrical goods in Europe and other countries will need to conform to RoHS (Restriction of Use of Certain Hazardous Substances Directive). Your company may fall into an industry that will require compliance with RoHS. Marketing, Compliance, and Regulatory Managers will benefit from this seminar. The website for registration will be available soon. For additional information, please contact Robin Mugford by phone at 847-327-9082 or by e-mail at [robin.mugford@mail.doc.gov](mailto:robin.mugford@mail.doc.gov).

Visit our partners' event calendars for additional international trade and policy-related events:

International Trade Association of Greater Chicago - <http://itagc.org/calendar.asp>

Chicago Council on Global Affairs - <http://www.c CFR.org>

Alliance for Illinois Manufacturing - <http://norbic.org/events/cal.php>

World Trade Center Chicago - <http://www.wtcc.org>



**AmeriCast  
Technologies, Inc.**

## **AmeriCast Acquires Atlas Casting**

(Press Release)

Atchison, KS (Monday, April 09, 2007) AmeriCast Technologies announced today it has completed the purchase of Atlas Castings and Technology. Atlas, based in Tacoma, Washington, has steel castings and machining facilities there and in Chehalis, WA., producing products primarily for the oil and gas industry, nuclear and fossil fuel power generation, and for the United States Navy.

“This is a very good day for our customers and our organization,” said Tom Armstrong, CEO of AmeriCast. “The addition of Atlas Castings to our current business units reaffirms our industry position as one of North America’s premier suppliers for highly engineered, value-added steel castings.”

The acquisition of Atlas will increase AmeriCast annual sales to over \$300 million while diversifying and expanding market place opportunities beyond its current industry focus in locomotive, mass transit, mining, and heavy construction.

Duane Britschgi, President of Atlas, adds, “We are very excited about the growth opportunity that this will generate. Both companies are recognized as leaders in their respective markets and there should be tremendous synergies for both operational and technical improvements as we learn from each other.” Britschgi and his senior management team have joined AmeriCast as equity investors and will continue in their current roles at Atlas.

AmeriCast ([www.americasttech.com](http://www.americasttech.com)) now comprises six wholly owned business units: Atchison Steel Castings based in Atchison, Kansas, and St. Joseph Missouri; Amite Foundry near New Orleans; Prospect Foundry in Minneapolis; London Precision Machining in London, Ontario; AmeriCast Global Services, and Atlas Castings and Technology in Tacoma and Chehalis, Washington. All business unit Presidents report to CEO Tom Armstrong.

Castle Harlan, Inc., the New York-based private equity investment firm, purchased AmeriCast in 2006. Founded in 1987, Castle Harlan invests in controlling interests in the buyout and development of middle-market companies in North America and Europe. Its team of investment professionals has completed 48 acquisitions since its inception with a total value in excess of \$9 billion. Castle Harlan's current portfolio companies employ more than 42,000 people. The firm traces its roots to the start of the institutionalized private-equity business in the late 1960s.

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