



SFSA CASTEEL REPORTER

Steel Founders' Society of America

a monthly publication
serving SFSA steel casting industry Members

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Casteel Commentary Highlights:

The severe recession is the subject of this month's Casteel Commentary. Business will be down, perhaps as much as 40% in the next year or two. It will be a difficult time for the industry. During that time significant changes will occur in the economy and marketplace that are unforeseen. But the underlying growing global demand for energy and materials will not go away and the delay in expanding capacity as the result of lower commodity prices will be adequate. This suggests that when the market begins to recover, we will be again in the situation of limited supply and business growth.

Technical & Operating Conference

Although December 10 is coming up fast it's not too late to register for this year's Conference.

We have 39 papers to be presented over three days (Thursday Dec. 11 to Saturday Dec. 13), plus a member workshop on the afternoon of Wednesday Dec. 10.

Registration information is available online:
<http://www.sfsa.org/sfsa/toconf/index.html>

Future Leaders

The second Future Leaders meeting in Muskegon, MI was attended by almost 20 people. Attendees enjoyed an opportunity to network with peers and share current projects at their foundry. Four additional speakers joined the meeting: Jim Cooke

from Ancast spoke about being a leader and running a business, Mike Lenahan from Resource Recovery discussed marketing foundries and recycling sand, Steve Sikkenga from Cannon Muskegon spoke about alloy production, and Steve Mussman from Alcoa discussed HIPing. Attendees were able to tour both Michigan Steel and Eagle Alloy, and listen to graybeard presentations at both locations. A reception for future leaders will be held Friday night, December 12th, for T&O attendees. If you are interested in becoming involved in the Future Leaders, this will be a great opportunity to meet like-minded individuals. For additional information on this SFSA activity, please contact David Poweleit at poweleit@sfsa.org.

Market News

Business remained strong in August with increased bookings and shipments in steel castings in the three month averages. Backlogs continued to increase as well. This increase was also seen in iron and steel casting numbers from Commerce. Capital goods also saw an increase in orders. The financial crisis however makes this history not promising and we are likely to see a significant fall in demand over the next year or two. Additional market information is found in the SteelGuru document on the Casteel Reporter web page.

Casteel Commentary

From a member:

Every time the venture capital comes into the foundry industry, it signals that we are near peak or slightly beyond peak and ready for a fall.

Correlation is almost unity.

The difficult period of 2001-2003 liquidated much of the obsolete capacity that had survived two decades of excess capacity. At the end of 2003, global demand for commodities exposed the lack of adequate capacity in the sharp rise in commodity prices. Prices for energy and materials began to rise and over the next three years shattered many of the record even in inflation adjusted dollars seen in the late 1970s. High prices made capital investment attractive and created a demand for steel casting that could not be filled by our current capacity.

The current economic setback is a reflection of the turning point or economic gateway that we are experiencing. If the Great Depression occurred in the 1930s and the great inflation occurred in the 1970s, then the next great thing should happen around the 2010s. I expected to see a severe recession in the 2010 period because the steep rise in commodity prices and the inevitable rise in interest rates would reduce the consumers' ability to continue to spend and support the economy.

Now it appears as though we have entered the severe recession. Commodity prices have fallen and investment is slowing. It would be reasonable to expect that this recession will last more than a year and be more severe than typical. I would think that we would need to plan for at least two years of soft business conditions. It does not seem reasonable to expect that business will be as poor as it was in 2002 and 2003. Those years had casting production roughly half of current levels or a 50% drop. A drop of 20-40% would not be unexpected.

After this crisis passes, the underlying demand for global commodities will resume and the capacity to meet that demand will not exist. The delay in investment will make the demand become even stronger leading to strong upward pressure on available capacity. We need to survive the next year and anticipate the need for increasing capacity following the next upturn.

Raymond

STEEL FOUNDERS' SOCIETY OF AMERICA
MEETINGS CALENDAR

2008

December		
10-13	National T&O Conference	Chicago, IL