



# SFSA CASTEEL REPORTER

Steel Founders' Society of America

a monthly publication  
serving SFSA steel casting industry Members

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## August — 2010

### Casteel Commentary

This Month's Casteel Commentary highlights the long-standing need we as an industry have to develop new markets and new products. Our industry is in an unnecessary long-term decline. Our new technologies and better capabilities should allow us to prosper in the current market place. As the demand for larger equipment with higher performance becomes dominant, steel casting producers are well situated to exploit the new markets. We need to be aggressive in developing new products to improve our financial performance and ensure our future.

### Equipment Available

One member has some excess equipment for sale. The attached pdf give a short description of the items for sale. Let us know if you are interested in any of these items.

### Annual Meeting

The SFSA Forecast and Business Outlook will be presented at the Annual Meeting this month. The presentations will be available next month to all members.

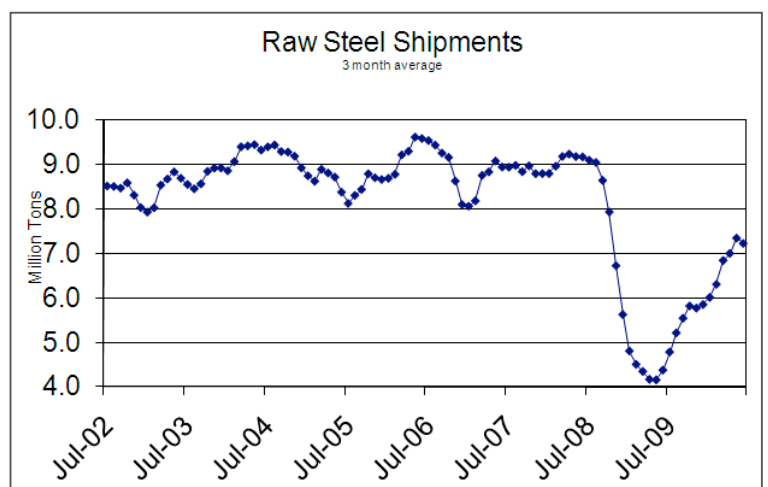
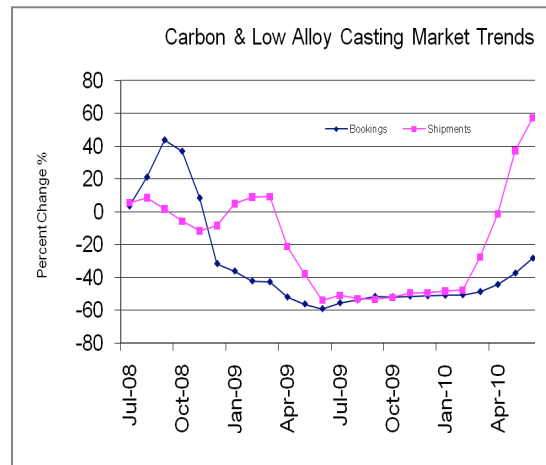
### Technical & Operating Conference

You will want to make sure to plan on attending the T&O. This year's program is jam-packed with over 40 papers in the current schedule, 60% of which are from foundries. Registration is open now - information is available on the SFSA website.

### Market News

Pessimistic views are a positive for the contrarian. A contrarian knows that no economist may be right but almost always, the consensus of economists is wrong. So the contrarian assumes that when everyone is optimistic and believes the market is going up, it is likely to go down. This would suggest that the current gloom and doom portends an upturn in the general economy.

In fact, whatever the near term future for the general economy, steel castings and capital equipment makers are likely to remain relatively busy. The prices of oil and copper have remained at levels high enough to justify



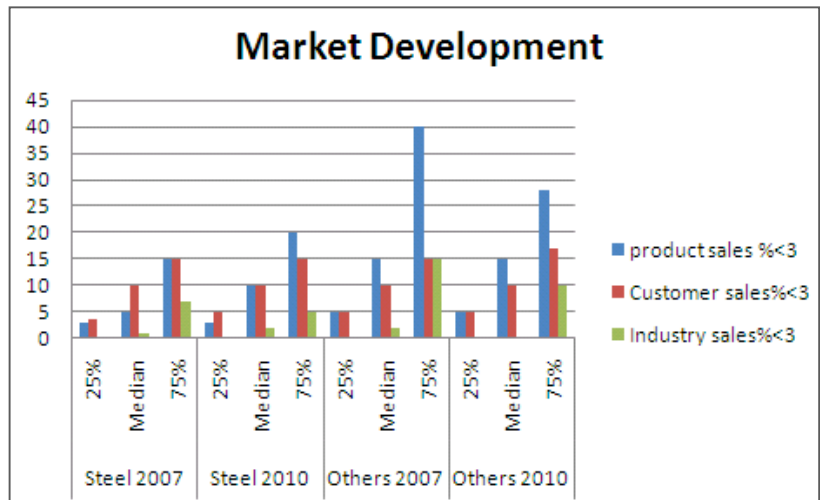
continued capital investment. Shipments of steel and stainless steel castings are up sharply for the deeply depressed levels of a year ago but not approaching the peak levels of three years ago. Backlogs are slowly growing and remain in a relatively typical commercial range of six to eight weeks. Depleted inventories make domestic production attractive. Steel casting producers need to be able to respond with short delivery times and responsive production schedules. Plants able to meet these customer requirements should see strong demand with good margins.

The level of Steel mill shipments has been a leading indicator of activity for steel casting as reported the last few months. As can be seen there has been a slight decline in steel shipments but the level is still healthier than last year. Iron and steel casting shipments reported by the Department of Commerce remain off 30% or in line with steel casting and steel mill production.

Capital goods orders continue to show growth. This means that the demand for steel castings for equipment should continue to grow as well.

**Casteel Commentary**

Surviving the current economic uncertainty is essential to the future of our industry and your company. The mismanagement of the financial sector by both private large financial institutions and their regulators lead to an explosion of debt and risk that resulted in an economic collapse. Excessive debt that limits investment and growth has been hidden through spending even more by added borrowing. Economic conditions promise a slow recovery and tepid demand for most of the economy. Steel

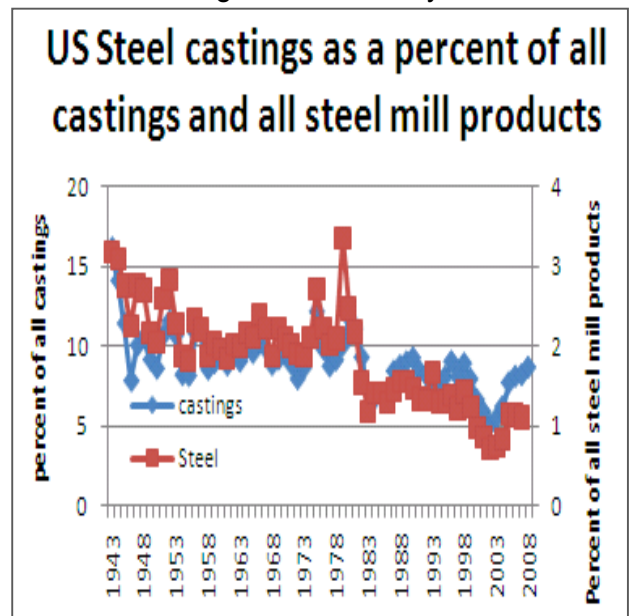


casting producers are in a better position than most because our challenging markets have eliminated marginal producers and survivors had become more financially healthy over the best few years before the collapse. As noted in the Market News, our industry will see slower growth and volatility but we are poised for strong markets ahead and profitable opportunities.

Even with this bright outlook we have a fundamental challenge of long standing that must be addressed if our industry is to grow and continue to contribute as we ought. Our industry is not growing as it should. As you can see from the graph, steel castings have declined as a percent of the tonnage of all castings. This is an underestimate of our failure to keep up with the market since much of the casting tonnage has shifted to aluminum so that the modest growth in all castings is greater than tonnage alone would suggest.

While there have been conversions from steel fabrications, forgings and ductile iron castings, we have not developed the markets or products to grow. Our process is capable of being competitive but our inability to demonstrate the capability or value of our product.

Much of our failure to develop new products is the failure to invest in development. In the years of excess capacity and brutal competitive markets, we settled for cost reduction strategies pursuing existing



markets and products. Our industry has been characterized by the legacy products that were seen as old fashioned, heavy and big, low in quality and reliability. We have modern engineering tools, more sophisticated quality and inspection methods, better production techniques; but we have not translated these into new products and markets. The bar graph shows that in good times before 2007 and bad times before 2010, new products and industries developed in the past 3 years was less than 10%. Clearly to remain vibrant and growing we need to do better.

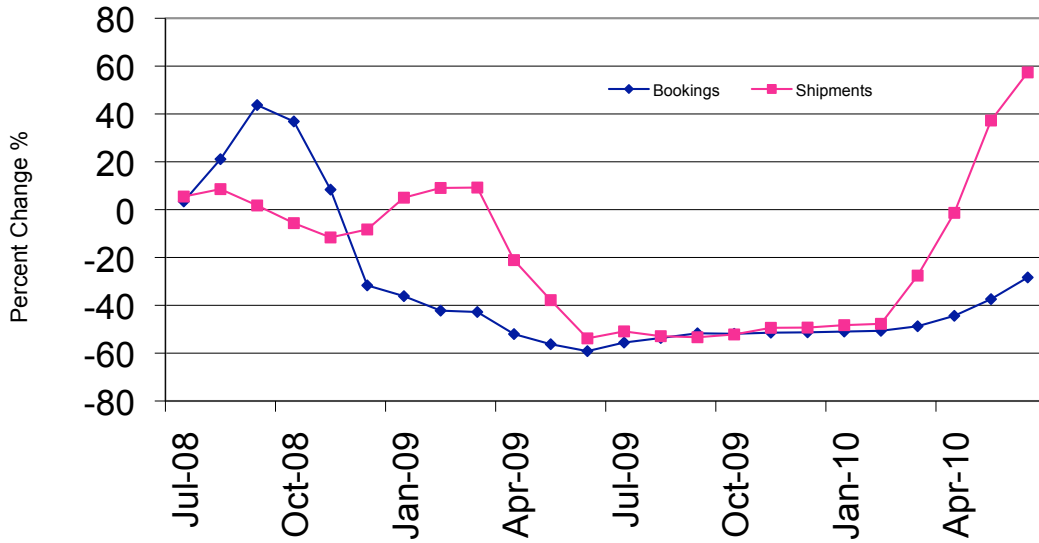
Even from an individual business perspective, higher margin more profitable work will come from new products and industries. Chasing a venerable customer with legacy products allows us to compete on price and slowly disappear. Our future depends on our ability to innovate and create new markets and new products!

*Raymond Monroe*

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

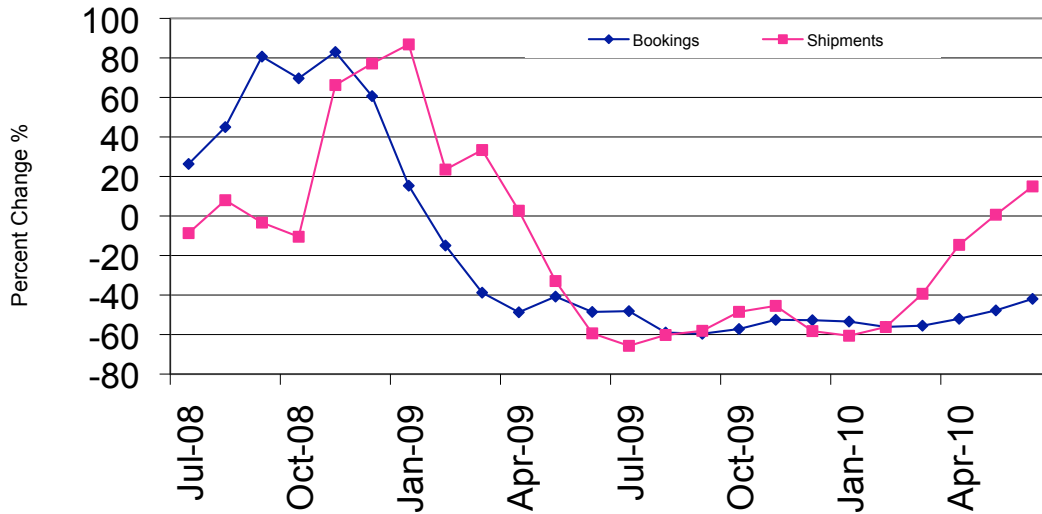
<b>SFSA Trend Cards</b> (%-12 mos. Ago)	12 Mo Avg	3 Mo Avg	Jun	May
<b>Carbon &amp; Low Alloy</b>				
Shipments	-18.2	57.4	74.3	67.8
Bookings	-45.0	-28.3	-18.2	-29.4
Backlog (wks)	7.2	7.8	8.0	7.5
<b>High Alloy</b>				
Shipments	-35.2	15.0	13.4	6.5
Bookings	-52.4	-41.9	-38.0	-41.9
Backlog (wks)	5.1	6.3	7.0	6.0
<b>Department of Commerce Census Data</b>				
<b>Iron &amp; Steel Foundries (million \$)</b>				
Shipments	1,232.3	1,181.0	1,182	1,180
New Orders	1,244.7	1,203.7	1,193	1,188
Inventories	2,087.5	1,776.0	1,811	1,762
<b>Nondefense Capital Goods (billion \$)</b>				
Shipments	58.7	62.8	63.4	62.5
New Orders	57.5	64.7	63.9	64.7
Inventories	131.5	126.8	128.4	126.4
<b>Nondefense Capital Goods less Aircraft (billion \$)</b>				
Shipments	54.8	59.0	59.6	59.2
New Orders	54.8	60.0	61.1	60.6
Inventories	97.4	98.9	100.1	98.7
Inventory/Orders		1.65	1.64	1.63
Inventory/Shipments		1.68	1.68	1.67
Orders/Shipments		1.02	1.03	1.02
<b>American Iron and Steel Institute</b>				
Raw Steel Shipments (million net tons)	6.4	7.2	7.3	7.3

### Carbon & Low Alloy Casting Market Trends



SFSA Postcards

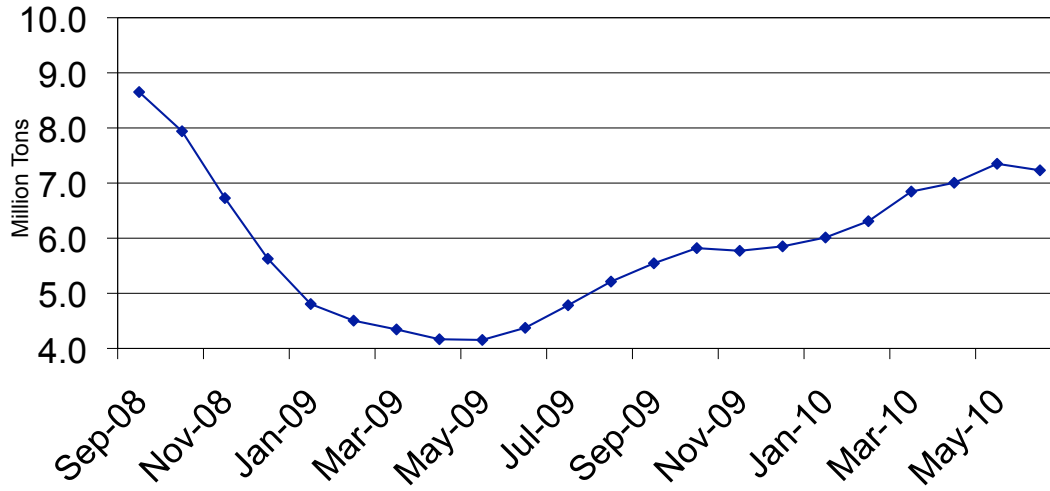
### High Alloy Casting Market Trends



SFSA Postcards

## Raw Steel Shipments

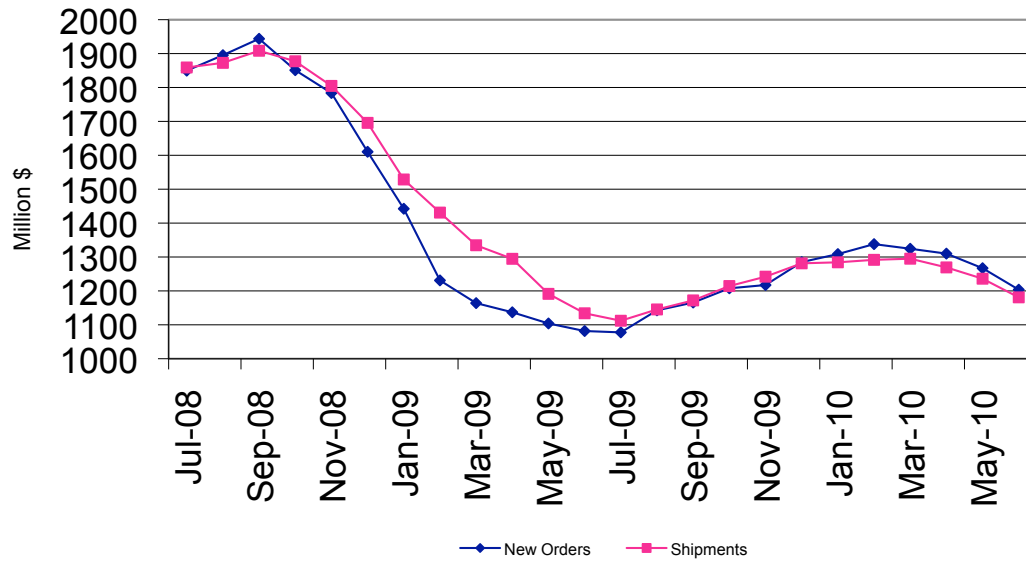
3 month average



AISI Data

## Iron and Steel Castings

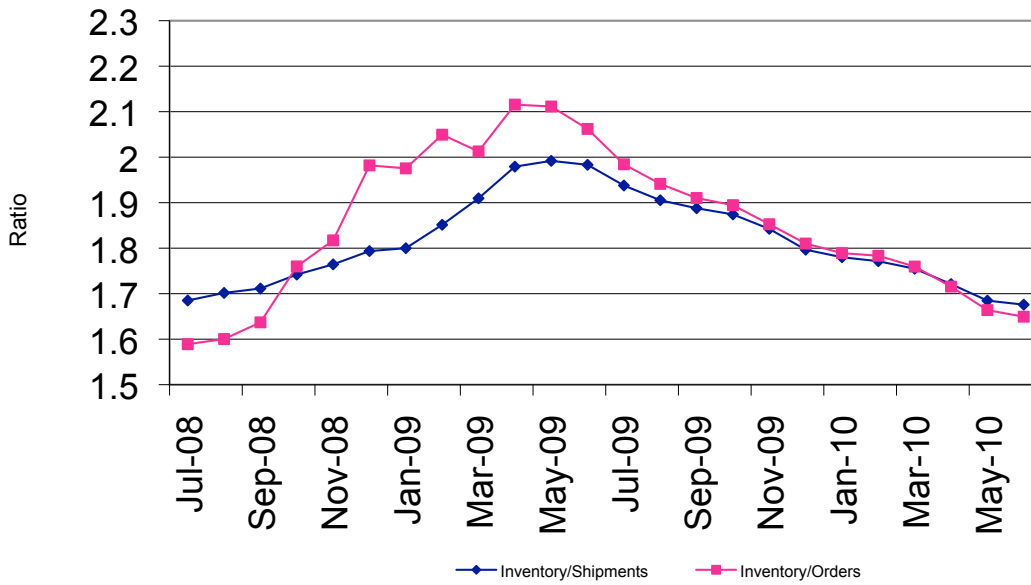
3 month average



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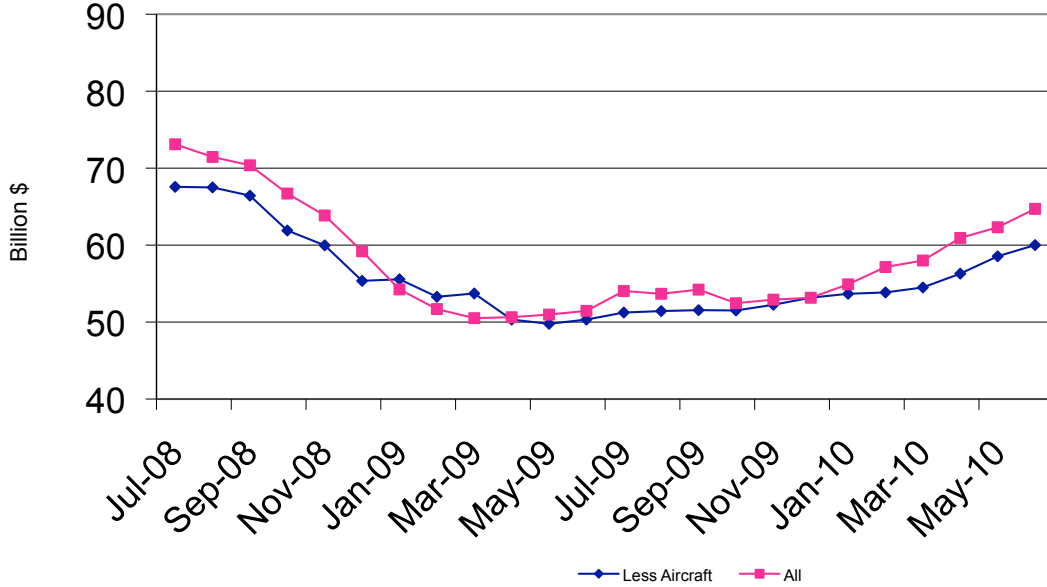
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### Nondefense Capital Goods less Aircraft 3 month average



Department of Commerce

### Nondefense Capital Goods New Orders 3 month average



Department of Commerce

## ITEMS IN WARE HOUSE

COLD CUT OFF SAW	manufacture is maghielse automation		
LARGE QUANTITY OF LADLES	1 on gearbox	5 regular	
1 - SNAG GRINDER - style 230. right hand, 25 hp, 30"wheel		used	
LATHE - BARDONS & OLIVER		used	machine # AM-140
1 - 5000 LB BBC INDUCTION COIL		<b>new</b>	1500 kw, 600 hz, 950 volt, 1030 amp
2 - 5000 LB BBC FURNACE SHELLS WITH COIL		used	panel dia. # dia SNEH-b00489, stock #02-61-026
DUAL BELT GRINDER = SETCO		used	40 hp motors - needs idler pulleys for belt tension
POWER CONVEYOR = 2 PC`S, RUBBER BELT		used	manufacturer - new London, rubber belt
POWER CONVEYOR = 1 PC, STEEL BELT		used	500 - 24" - 8 ft
4 - WELDERS	miller units	used	3 - 1000, 1 - 1500
JLG STICK BOOM - MOTOR BAD	<b>JLG</b>	used	type 30f, 1000 capacity, 30ft
100 HP NEW YORK BLOWER		used	36acf, acf/rlr fan class 1-111
DO-ALL SAW	MODEL C-4100NC	used	460volt, s/n 524-00200
DRILL	CINCINNATI BICKFORD needs wiring	used	style 1 radial drill
HANKERSON AIR DRYER		used	model 1600 s/n 0370-2t-9801-2
1 lot of misc. cylinder	pneumatic / hydraulic	used	please inquire on a certiaain cylinder
1 lot of misc. lights	hi-bay, fl. Lights 4 foot	used	please inquire on a certiaain cylinder
1 lot of misc. motors		used	please inquire on a certiaain cylinder