SFSA CASTEEL REPORTER

Steel Founders' Society of America

a monthly publication serving SFSA steel casting industry Members

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October — 2010

Casteel Commentary

This month's Casteel Commentary proposes that the steel casting market will grow significantly in the world and in North America. This is based on growth in the economy and in the population. Global competition may limit the improvement in production in North America but this may be more than offset by the need to reinvest in infrastructure and capital equipment. Succeeding in this decade will require us to compete more broadly in the global economy with castings that are larger, more complex and delivered machined with confidence in their performance.

Technical & Operating Conference

The 64th Technical & Operating Conference will be held in Chicago, December 8-11. This year's program features more than 40 papers, over 60% of which are from foundries. *Registration fees are reduced if you register and pay by November 1* - registration and program information is available on the SFSA website.

Induction Furnace Wanted

An SFSA member is interested in buying an induction furnace of about 1000 Kilowatts, two and a half thousand pounds, with two melting pots and that is readily available in good running condition. If you have this equipment available, email monroe@sfsa.org.

Future Leaders

It is time to recognize the future leaders in your company. This goes beyond individuals who will sit in the corner office, and is meant to also include future technical and operation leaders. SFSA's Future Leaders committee is a venue for these individuals to learn, network and grow. It also offers peer to peer E-mail communication for members. Take a moment to evaluate who in the future will have these leadership roles and offer them the opportunity to get involved in Future Leaders by contacting David Poweleit (poweleit@sfsa.org). The next meeting will occur on 11/3-4 and will include a tour of Sivyer Steel and Rock Island Arsenal.

IBIF

SFSA was recently selected by the Defense Logistics Agency for an Industrial Base Innovation Fund (IBIF) award of nearly $1 million. This project will develop cost-effective production of encapsulated armor steel. This will further the initial research done on taking a ceramic armor tile and casting steel around it. The project is a continued partnership with BuyCastings and utilizes the FOPAT investment casting process. The project will also continue the research and development on simulation modeling at the University of Iowa and on the FeMnAl alloy at Missouri University of Science & Technology.

Staff Recruiting

A member recommended the Lucas Group as a way of finding qualified candidates for your plant. The Lucas Group is a global executive search firm and partners with the Wall Street Journal. They have expertise in Military Transition, Sales & Marketing, Accounting & Finance, Engineering, Manufacturing, IT, HR, Legal, etc.

Companies have been hiring candidates since 1970 and they are the only military headhunter to travel around the world to seek out proven game changers. They screen over 10,000 candidates a year and review military records to validate performance for our clients. They are the ONLY military headhunter who requests performance evaluations from our candidates and they ONLY accept the top performing officers and technicians. Additional details are attached to the PDF version of this newsletter.

Positions Available

Regional Sales Manager - Large, diversified Steel Foundry seeks experienced sales person to assume the responsibilities of regional sales manager based in Houston, Texas or close vicinity. Person will be responsible for maximizing available opportunities for new steel casting business from well-established customers as well as from new customers. Territory would be Texas, Louisiana and Oklahoma. Position carries with it competitive compensation and benefits. Job purpose: To promote value, provide excellent customer service and negotiate favorable terms. Duties: Updates job knowledge by participating in educational opportunities, reading professional publications, maintaining personal networks and participating in professional organizations. Achieves professional goals by taking ownership for new challenges and being creative in accomplishing those objectives. Skills/Qualifications: Motivation for Sales, Meeting Sales Goals, Negotiation, Selling to Customer Needs, Territory Management, Closing Skills, Prospecting Skills, Professionalism, Internal Communications, Listening, Communication Processes, Technical Knowledge of Mechanical Engineering Drawings, Experience in the application of Mechanical Engineered Parts such as (Castings, Machined Parts, Forgings or Stamped Parts).

Market News

As expected based on the steel mill industry, steel casting shipments have improved sharply in 2010. The SFSA trend cards show continued increases in shipments compared to the lowest production levels in June through August last year. Shipments and bookings for both steel and stainless steel castings were off more than 50% in the middle of last year. Our market has recovered much of that fall in demand but not all of it this summer. Bookings remain low making the future uncertain. Typically in a healthy growing market, bookings exceed shipments. Casting backlog and increased strongly in November through February but has fallen for steel castings but has risen slowly for stainless castings. When the market was strong backlog exceeded 12 weeks then fell to 4 weeks and now has rebounded to a more typical 7 weeks.

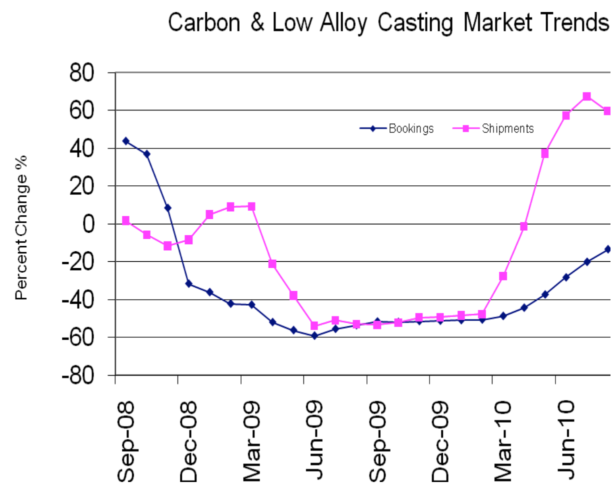
Steel mill shipments bottomed out in January through June of 2009, six months prior to our improvement. Since May steel shipments have slipped down slightly. The economy as a whole appeared to respond with stronger conditions and is now softening with the lack of additional fiscal stimulation. The Federal Reserve is committing to provide additional liquidity to offset the reduction in spending. So we are likely to see a slowdown and added volatility as the general economy slows down but the weaker dollar sends commodity prices higher. The weaker dollar will also make our castings more globally competitive. This may be partially offset by all other countries also weakening their currencies to remain competitive but this general weakening of currencies will support higher commodity prices that will spur demand for capital equipment for their production.

Nondefense capital goods orders have continued to rise but are still not at the higher levels seen in the middle of 2008. Inventory reduction was a significant part of the extremely poor conditions in mid 2009 but now those inventories have been substantially liquidated and the new orders have improved so that the ration of inventories to orders or shipments are again at the low levels seen during the strong market conditions in 2008. This suggests that if orders due to high commodity prices do increase, the jump in demand could be strong given the low levels of inventories relative to order and shipment activity.

It would appear that we will be challenged to manage the production levels in a volatile market in down months while retaining our capability to deliver product in short delivery times when orders increase.

The balance of the year should show, at a minimum, modest improvements with the possibility this year or early next year a stronger demand and near capacity operations.

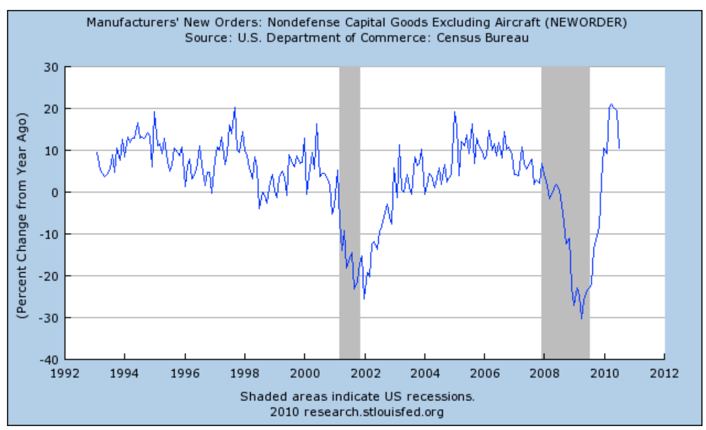
Casteel Commentary



The global demand for steel castings should grow faster than the growth in the world GDP for the next decade. Demand for steel castings should grow at a rate of more than 3% a year.

Why would one expect such a high growth rate for steel castings? Simple demographics. Over twenty years ago, in cleaning out old files, I found a letter from Tom Barlow explaining that the demand for steel castings in the US was tied to the population growth. He stated that the demand for steel castings tracked the growth of population and was estimated to be 10 lbs per capita. Tom Barlow was the Executive Vice president of SFSA for the years 1965 to 1971.

The inserted graph shows the per capita production for the 20 largest steel casting producing nations. The US, South Africa, and Canada approach making 4 kg (8.8 lbs) of steel castings per capita for 2008, not far away from the 10 lbs cited by Barlow. These countries use steel castings in the rail industry while European countries do not. Europe and Japan use about 2 kg per capita. The worldwide per capita production of steel castings for 2008 was 1.5 kg.



Since most of the developing world is using the North American approach to railroad equipment, the global demand should increase as the developing countries invest in their needed infrastructure. It would not be unreasonable to assume that the per capita requirement for steel castings would grow to 2 kg per person by the year 2020. In addition to the growth in per capita consumption, the population will also continue to grow. The total world production of steel castings in 2008 was around 10 million tons. Assuming the per capita increase and rise in population, the requirement for steel castings in 2020 should rise to 15 million tons.

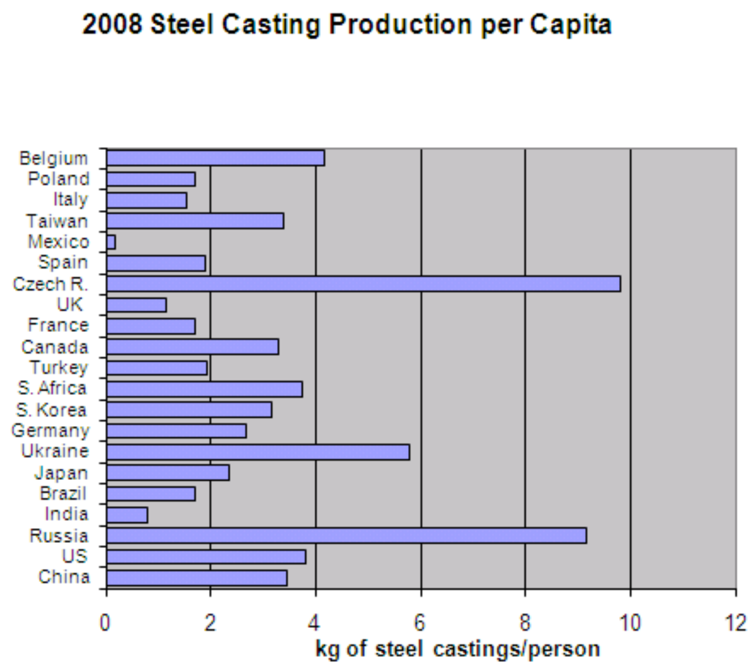
In North America in 2008 we produced 1.2 million metric tons of steel castings with a population of roughly 450 million for a steel casting consumption of 2.7 kg per capita. If we grow as projected to 500 million people in 2020 and produce at a more typical rate of 3 kg per capita, the North American requirement will be 1.5 million tons.

This analysis neglects two compelling factors, trade and the aging capital equipment infrastructure. While the North American economy will need castings, it is not clear that they will be produced in North America. If however Europe is any indication, the continuing vitality of the steel casting industry in Belgium, Germany, France and Turkey, suggest that the US, Canada and Mexico will find ways to compete and prosper.

The other factor is the aging capital equipment infrastructure. The North American economy has enjoyed stable prices and deferred capital investment because of the over investment spurred by public policy in the 1970's. Most of the major capital investments needed to sustain the North American economy were made in that period of inflation and capital investment incentives. The current financial conditions make a return to higher levels of inflation likely. The inflationary pressures are already seen boosting the price of commodity goods like oil, gold, and copper. There is a growing recognition of the need to reinvest in commodity production to meet the growing global demand. The depletion of low cost mines and wells are driving investment in larger more steel casting intensive equipment. It is reasonable to add on top of the demographic pressure for more steel casting demand the need for significantly.

So to prosper in the coming decade we need to develop castings for the newer larger capital equipment that will be required. We will also need to identify and execute global strategies that not only let us exploit the opportunities in the North American market but allow us to compete with European and Japanese providers for the more complex, larger critical casting requirements globally. Our casting sizes should continue to grow larger and the technical requirements more demanding. We are likely to be responsible to provide machined parts with guaranteed performance.

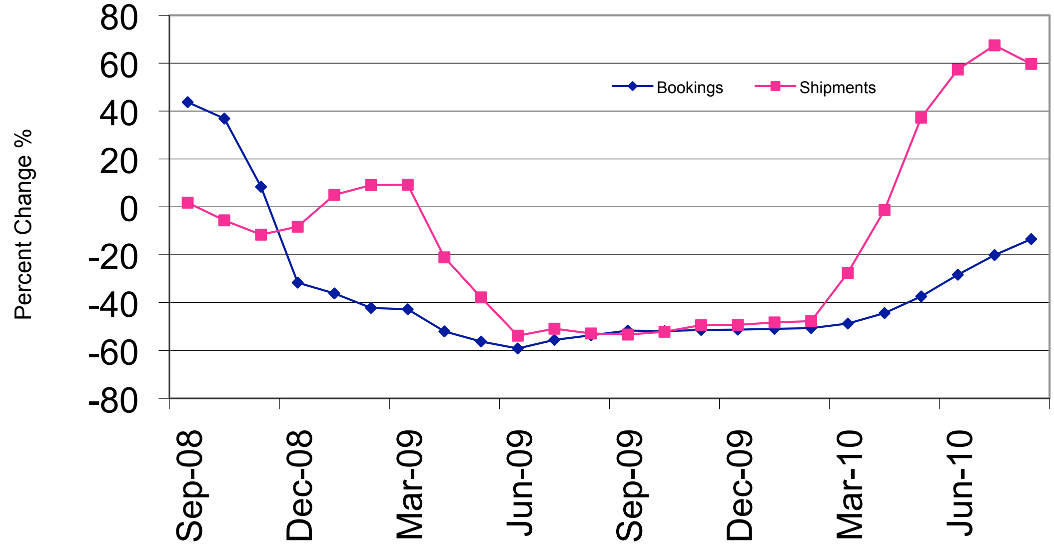
Raymond Monroe



STEEL FOUNDERS' SOCIETY OF AMERICA
BUSINESS REPORT

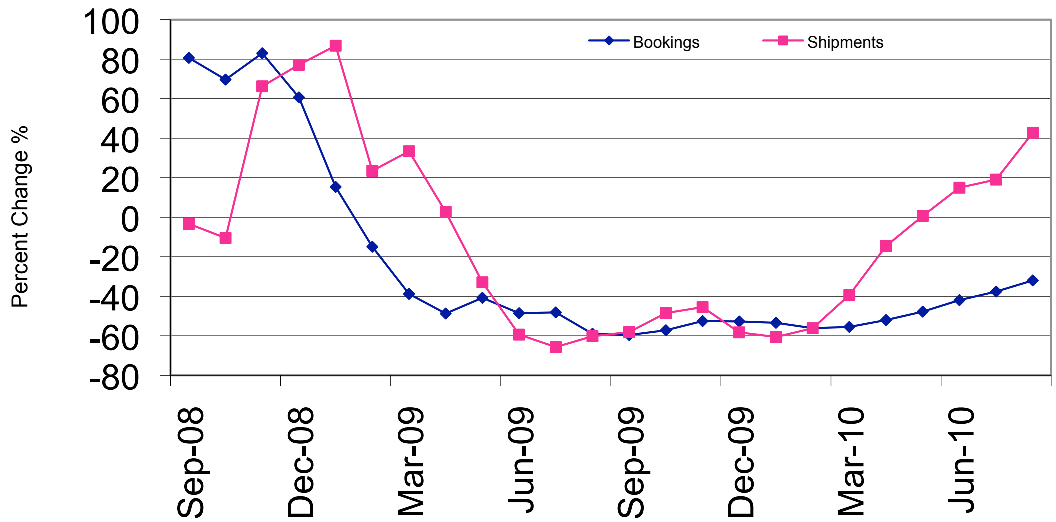
SFSA Trend Cards (%-12 mos. Ago)	12 Mo Avg	3 Mo Avg	Aug	Jul
Carbon & Low Alloy				
Shipments	0.0	59.7	44.5	60.3
Bookings	-38.2	-13.5	-9.3	-12.9
Backlog (wks)	7.4	7.7	8.0	7.0
High Alloy				
Shipments	-14.6	42.8	77.7	37.3
Bookings	-47.1	-32.0	-25.0	-33.0
Backlog (wks)	5.5	7.5	8.5	7.0
Department of Commerce Census Data				
Iron & Steel Foundries (million $)				
Shipments	1,247.3	1,219.3	1,244	1,232
New Orders	1,263.3	1,231.0	1,281	1,219
Inventories	2,008.6	1,812.0	1,820	1,805
Nondefense Capital Goods (billion $)				
Shipments	60.3	64.8	65.5	65.6
New Orders	59.3	65.0	65.6	65.5
Inventories	130.5	129.7	130.9	129.7
Nondefense Capital Goods less Aircraft (billion $)				
Shipments	56.2	60.1	60.9	59.9
New Orders	56.5	61.4	63.0	60.0
Inventories	97.8	101.1	101.8	101.3
Inventory/Orders		1.65	1.62	1.69
Inventory/Shipments		1.68	1.67	1.69
Orders/Shipments		1.02	1.04	1.00
American Iron and Steel Institute				
Raw Steel Shipments (million net tons)	6.6	6.9		6.5

Carbon & Low Alloy Casting Market Trends

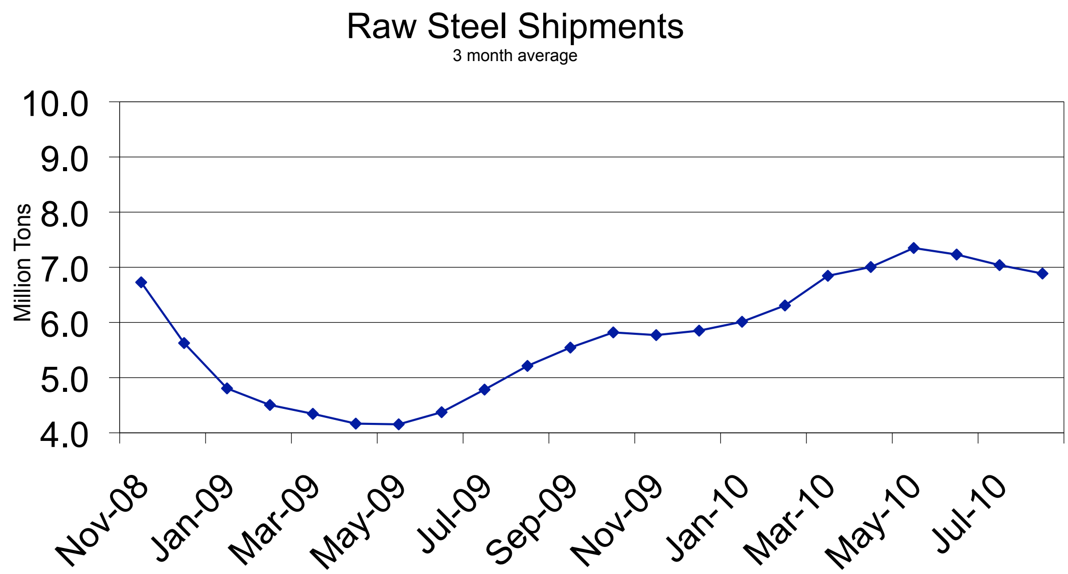


SFSA Postcards

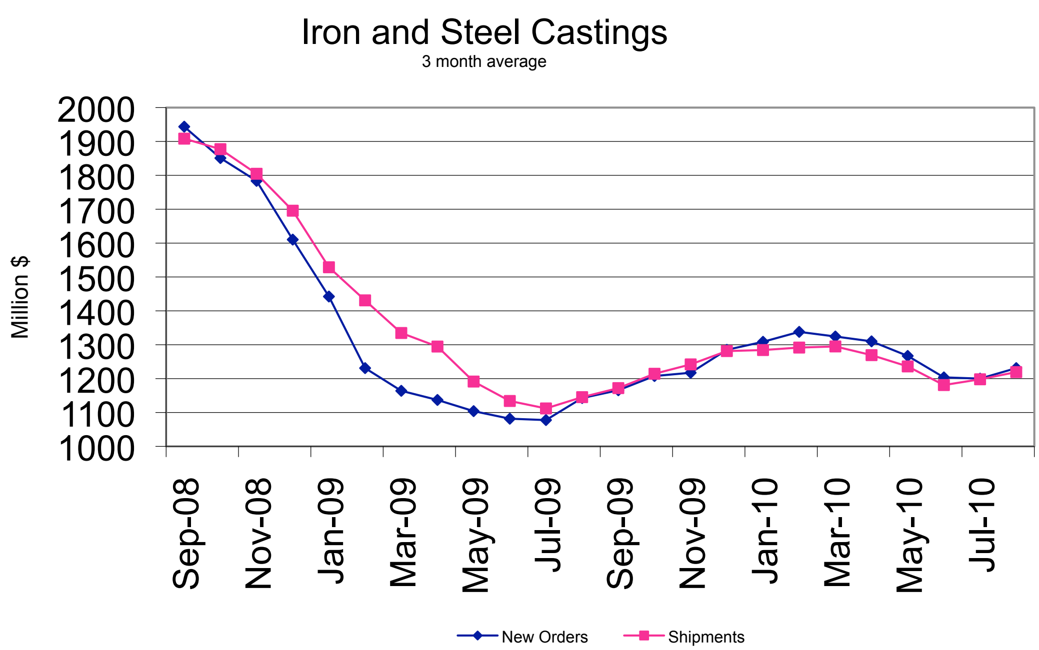
High Alloy Casting Market Trends



SFSA Postcards



AISI Data



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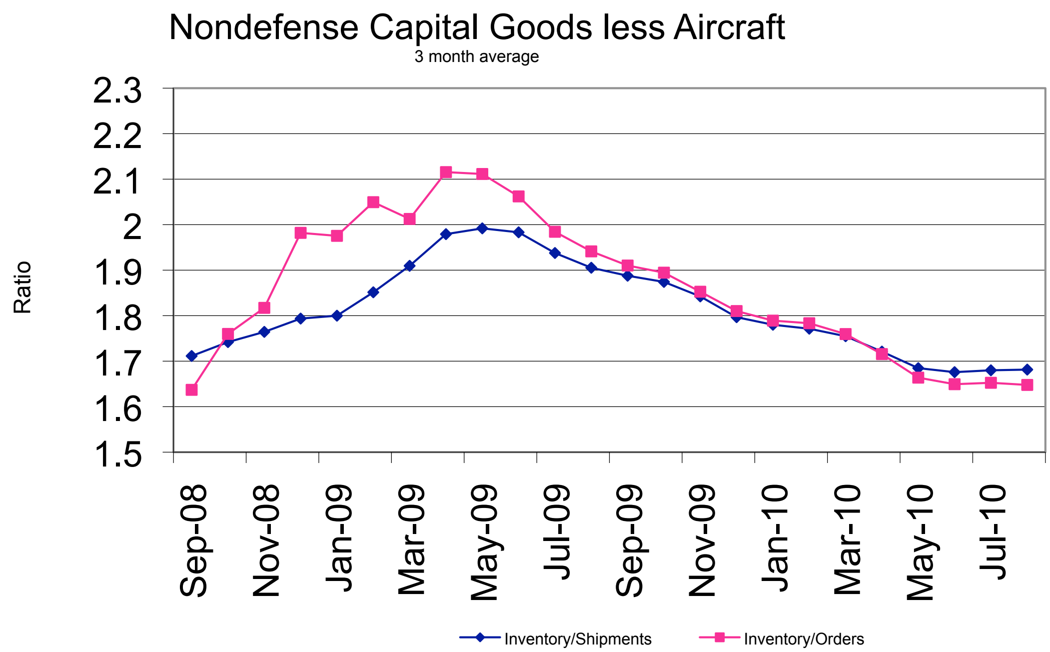
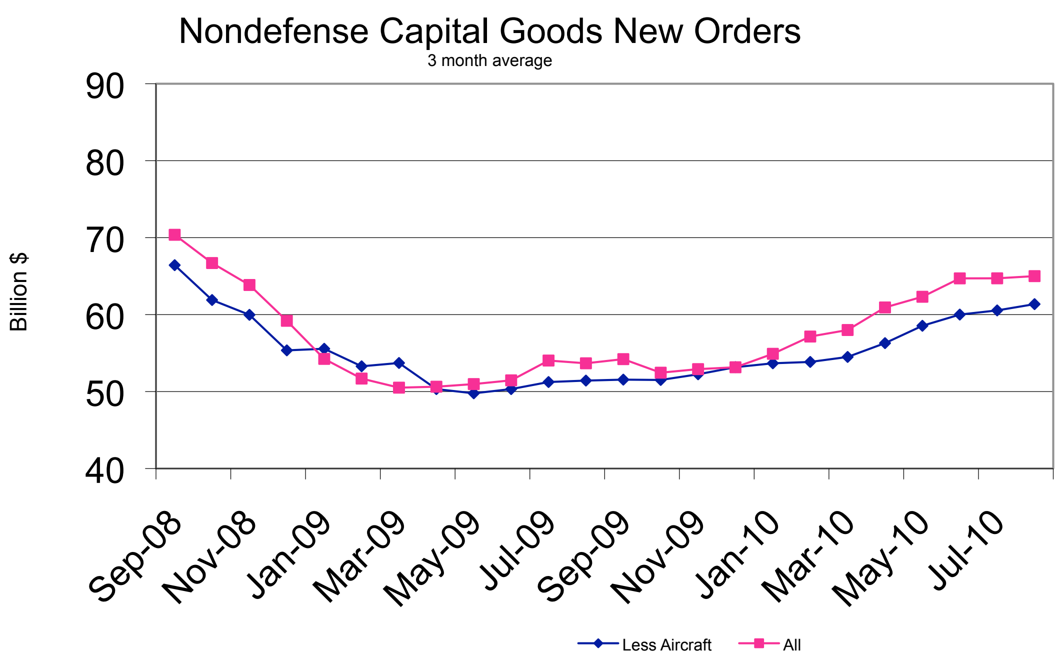


Department of Commerce



Department of Commerce

Leadership Matters

Lucas Group Military Division Newsletter

Help Wanted...But Not Necessarily Found!

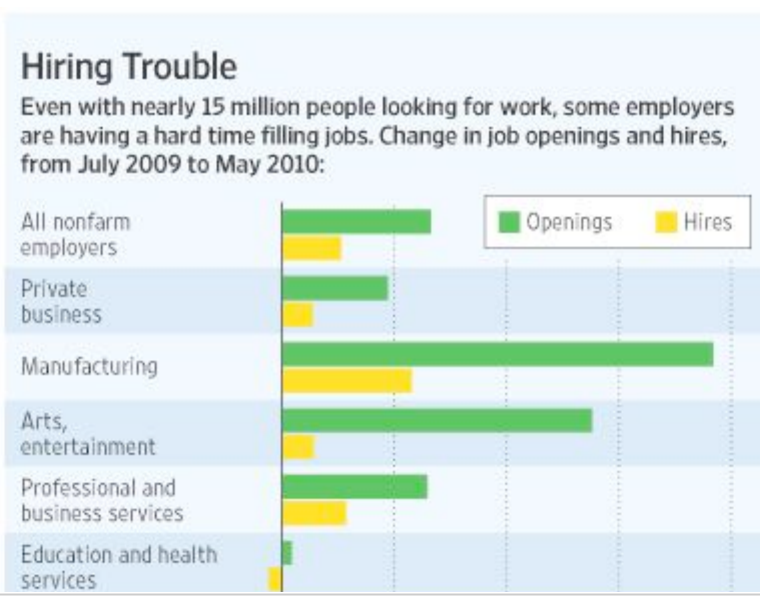
Employers are looking for people...but they are not FINDING the right people.

As strange as that may sound after hearing the news day after day telling us how tough the employment marketplace is, it turns out that employers are facing some major challenges as well.

The Wall Street Journal reports:

"With a 9.5% jobless rate and some 15 million Americans looking for work, many employers are inundated with applicants. But a surprising number say they are getting an underwhelming response, and many are having trouble filling open positions.

'This is as bad now as at the height of business back in the 1990s,' says Dan Cunningham, chief executive of the Long-Stanton Manufacturing Co., a maker of stamped-metal parts in West Chester, Ohio. 'It's bizarre. We are just not getting applicants' "



Upcoming Lucas Group Military Hiring Conferences

Sept 14 - Norfolk, VA*

Sept 17 – *Wash, DC *(Bus Dev/SMO)*

Sept 24 - Chicago, IL

Oct 1 - Atlanta, GA

Oct 1 - San Diego, CA

Oct 5 - Wash, DC

Oct 12 - Norfolk, VA*

Oct 22 - Houston, TX

Nov 16 - Norfolk, VA*

Nov 16 - Wash, DC

Nov 19 - Atlanta, GA

Nov 19 - Irvine, CA

*Technicians only

CORPORATE CLIENT TESTIMONIALS>>

Lucas Group Military Hiring

http://online.wsj.com/article/SB10001424052748704895004575395491314812452.html?mod=djemTMB_t

The RIGHT TALENT at the RIGHT TIME. That is what can make the difference between winning and losing.

LUCAS GROUP can help you tap into a pool of talent that is like no other.

Imagine having MULTIPLE qualified and interested candidates for your critical open positions...now stop imagining...

Are You Looking for your Next Generation of Leaders?

Lucas Group Military Hiring Conferences give you access to "America's Finest"

What is a Lucas Group Hiring Conference?

Junior Military Officers: These candidates have been hand-selected from a large pool of Army, Navy, Marine Corps, Air Force, and Coast Guard Officers who are about to separate from the military. All have college degrees (technical and non-technical) and are seeking career positions. They are all mature, energetic young leaders. With extensive supervisory and leadership experience and training, they have proven to be exceptional employees in a wide variety of fields including engineering, maintenance, production, distribution, sales, and general

Military Hiring Conference Schedule>>

SAMPLES OF RECENT HIRES BY LUCAS GROUP CORPORATE CLIENTS ATTENDING OUR MILITARY HIRING CONFERENCES:

Leadership
Project Team Leader

Leadership Development Program

Production Supervisor

Warehouse Supervisor

Engineering
Electrical Supervisor

Manufacturing Engineer

Process Engineer

Quality Engineer

Six Sigma Representative

Sales
Sales Rep (Industrial)

Sales Rep (Medical)

Sales Rep

management.

Senior Military Officers & Experienced Veterans: These candidates are current and former field-grade officers in the Army, Navy, Marine Corps, Air Force, and Coast Guard Officers who are either transitioning off of active duty military service or are seeking to make a transition from their current position in the corporate world. These candidates have significant leadership experience in mid-level and senior-level positions in and out of the military. They have a proven track record of success in the military and many have done the same in corporate America. Our clients hire them into engineering, leadership and business development positions with great results.

Military Technicians: These candidates are high potential, hands-on technicians and leaders. They have many of the same qualities you have come to expect from their Junior Military Officer counterparts, such as strong work ethics, excellent people skills, integrity, and team-building abilities. In addition, they have hands-on technical training in such areas as electronics, machining, control systems, communications, and computers. With such diverse skill sets, they are strong candidates for manufacturing organizations, field engineering forces, technical service groups, research facilities, and training departments.

Learn more about Lucas Group...

Lucas Group - Corporate Overview Video
Lucas Group - Military Division Video

Contact me for more information:

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Lucas Group
In Partnership With The Wall Street Journal

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Electrician

Maintenance Mechanic

Senior Level

Global Research Manager-Defense Programs

Senior Test Engineer

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Director, Marine Corps Programs

Program Manager

Specification Engineer

Engineering Manager III

Senior Military Analyst

Six Sigma Black Belt

Director of Programs (Land & Air Systems)

Production Manager

Consultant

Consulting Program Manager

Program Manager

Military Transition

Looking for a talented and diverse workforce?

Look no further than the U.S. Military! Learn more by reading the following article:

Diversity in the U.S. Military>>

Chart>>

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