



SFSA CASTEEL REPORTER

Steel Founders' Society of America

a monthly publication
serving SFSA steel casting industry Members

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January — 2011

Casteel Commentary

Predictions are included in the newsletter. This year I will again go out on a limb. The reality however is that no one knows the future but we all need to plan. I expect the coming decade to be the golden age of steel casting production.

Future Leaders

The generation gap in our workforce is clear and certainly cause for concern. Making the transition as one generation retires and a new generation takes on new job roles can impact the success of your business. Every foundry has new hires or other current candidates that will step into greater roles in either the technical or operations side of the foundry. Future Leaders is a SFSA committee that can help facilitate these transitions through industry networking and educational programs.

How much would you pay for an employee to have previous steel foundry expertise? Attending a SFSA Future Leaders meeting will build this knowledge base and is free to all members. Every company should make the investment by having at least one candidate involved in this activity. At our last meeting, attendees visited two steel foundries, received an overview of Sivyer's Odyssey ERP software and paperless manufacturing, participated in roundtable discussions and networking, learned about a rigging case study, garnered insight on the University of Iowa's R&D portfolio, and a learned about the history and best concepts for rigging a casting – all in a day and a half!

To get your company prepared for the future, it is time to get someone involved in Future Leaders today – contact David Poweleit at poweleit@sfsa.org.

Safety / HR Meeting

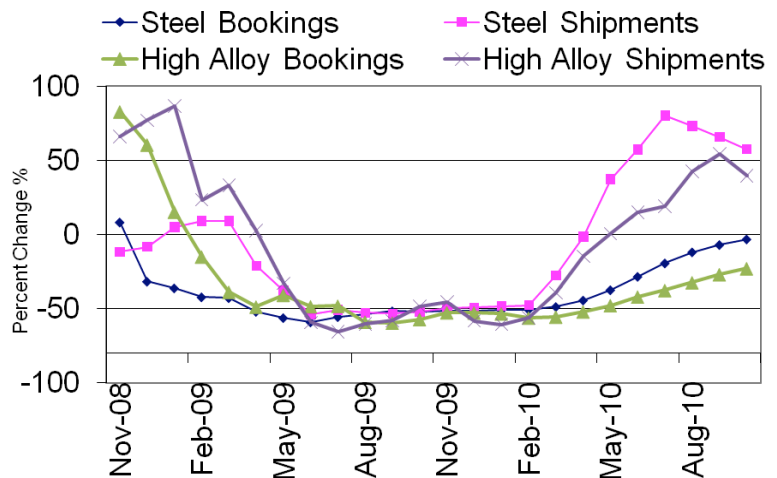
The next meeting of the Safety/HR group will be held on February 23 in Hammond LA, with a tour of Bradken's Amite, LA plant on February 24. The HR session will include talks on sex discrimination and other upcoming regulatory issues, assessment of employee visual inspection capability and effects on their performance, and applicant screening processes. The safety session will include information on OSHA's Safety & Health Achievement Recognition Program (SHARP), Silica and Hexavalent Chromium, crane and hoist safety, a discussion on how new equipment is approved, keeping a focus on safety as the facility grows, orientation programs, drug testing, explosive dust, and an open discussion. Contact Malcolm Blair at blairm@sfsa.org for more information or to register for the meeting.

Men Available

A1249 has extensive foundry experience, accomplished in all aspects of B2B technical product sales and marketing. Competitive, goal-driven leader. Expertise in team development, leadership and project management. Skilled in meeting timelines aligned with budget expectations. Oversaw annual sales of \$30 million.

Market News

Shipments for steel and stainless steel castings continued to show strong improvements in October when compared with the poor demand from the year prior. Shipments for steel castings were up in the three month average over 50% and stainless castings were up about 40%. Bookings have not rebounded suggesting short lead times and last minute orders. The average backlog remains at about 8 weeks. This represents a reasonable business climate with reasonably stable demand.



From the ISRI Friday Report, January 7, 2011 (<http://images.magnetmail.net/images/clients/ISRIID/attach/Jan07.pdf>)

The expectation for higher ferrous prices in the first quarter didn't take long to materialize as Nucor just announced a remarkable \$60/ton price hike to bring hot rolled prices to \$800 per ton and cold rolled to \$900 per ton. As Michelle Applebaum of Steel Market Intelligence aptly points out in a note yesterday:

"Steel pricing globally and in the US is seeing unprecedented volatility – part of this is driven off of China where steel is such a key commodity it trades like oil in the rest of the world – on a daily basis and in reaction to headline news. But even in the US, we've now seen as much as a 21% increase in sheet prices in a single week – just a year ago we marveled over an identical price increase over an eight week period as "unprecedented" – and we have now seen two multiple price hike weeks in the past five"

Steel Founders' Society of America Industry Forecast

Market Segment	Estimated 2009 (tons)	Projected 2010 (tons)	2010 Change (%)	Forecast 2011 (tons)	2011 Change (%)
Railroad	325,639	296,331	-9	355,597	20
Mining	109,421	147,718	35	184,647	25
Construction	72,649	83,546	15	87,723	5
Trucks	11,197	11,869	6	16,617	40
Valves & Pumps	33,475	34,479	3	39,651	15
Oil Field	5,711	5,997	5	6,896	15
Military	15,254	15,254	0	16,017	5
Other Markets	54,029	62,133	15	71,453	15
Total	627,374	657,327	5	778,602	18

Casteel Commentary

What was predicted for 2010?

- 1. Demand for steel castings will see stronger than forecast growth in non-railroad applications, over 20% from current levels or back to 60% of our higher production volumes by year end. This will be spotty and volatile.**

Our forecast for 2010 was to see a slight loss down 3%. Most of that was due to railroad freight car build rates falling. Excluding railroad castings, the final December forecast projected an increase of 11% for all non-rail steel castings. Shipments are up in 2010 more than 20% and should exceed 35% when the numbers are in. At our update of the forecast in December, most plants were about at 80% of the high production number or up 50 to 60% from the lows. High alloy castings remain slow.

- 2. Political and economic uncertainty will be reduced but not eliminated in the run up to the 2010 elections allowing for the possibility of a strong uptick in the final quarter next year.**

Growth has exceeded expectations for 2010 gaining over 2% instead of flat with no double dip in sight. The final quarter looks slower with the third quarter having been stronger. The election will temper the changes of the administration and Congress with a Republican House able to moderate the administration and the Democratic Senate.

- 3. China will see a significant reversal of fortune economically, but not next year. They will continue to grow and be a trade issue in the US.**

China has continued to have good economical performance with growing concern about inflation, currency and trade. They remain a trade issue for US manufacturing but are less of a political issue than the lack of supportive public policy.

- 4. Commodity prices will bounce in a trading range at a value high enough to justify investments.**

Commodity prices not only bounced but continued to climb with concerns about supply, inflation, and exchange rates. Copper broke record prices in the final quarter with gold. Oil was up over \$90 a barrel. Investment in fracking equipment for non-traditional natural gas production stimulated demand for energy equipment. Mining equipment was not yet strong but consumables were in demand.

- 5. Infrastructure spending and utility investments will add to demand in the second half of next year.**

Manufacturing and capital equipment has led the way on the better than expected demand. The investment in infrastructure and utility spending has not been the factor predicted.

- 6. Other construction investment will remain slack.**

This was true with no end in sight for poor demand.

- 7. Pricing will remain stable for commodities and for most steel cast products.**

This was critical to the projection that steel casting demand would grow and that the medium term outlook would be positive. If with the severe economic downturn, prices eroded significantly, then there is no systemic requirement for additional global investment in capital infrastructure and the steel casting industry is a supplier of spare parts and replacement equipment. If the prices remained stable at a reasonable level with the poor economic conditions, then the outlook for increased demand and pricing is supported.

Thoughts for 2011:

- 1. Demand for capital equipment will continue to increase and steel foundries especially for larger castings will be at the maximum production capability by the final quarter of the year.**
- 2. Off shore suppliers of steel castings will also be busy and unable to provide the castings needed by OEM.**
- 3. China facing internal inflation and external pressure will not continue to grow at near double digits. While developed economies will grow more than expected, developing economies will slow facing higher commodity and energy prices.**
- 4. Commodity prices will not continue to climb and will remain in a range for the next year. They will be high enough for added investment. Slowing demand from developing countries offset partially by improved requirements from developed countries, we will see a near balance in supply and demand. Depending on production, weather and chance, inventories will drive pricing.**
- 5. Construction for residential and nonresidential buildings will improve by year's end but not dramatically.**
- 6. High speed rail and nuclear construction will not be significant.**
- 7. Natural gas investments in production and electrical generation will be strong.**
- 8. Prices for steel castings will increase as limited supply leads customers to bid up prices to get capacity.**

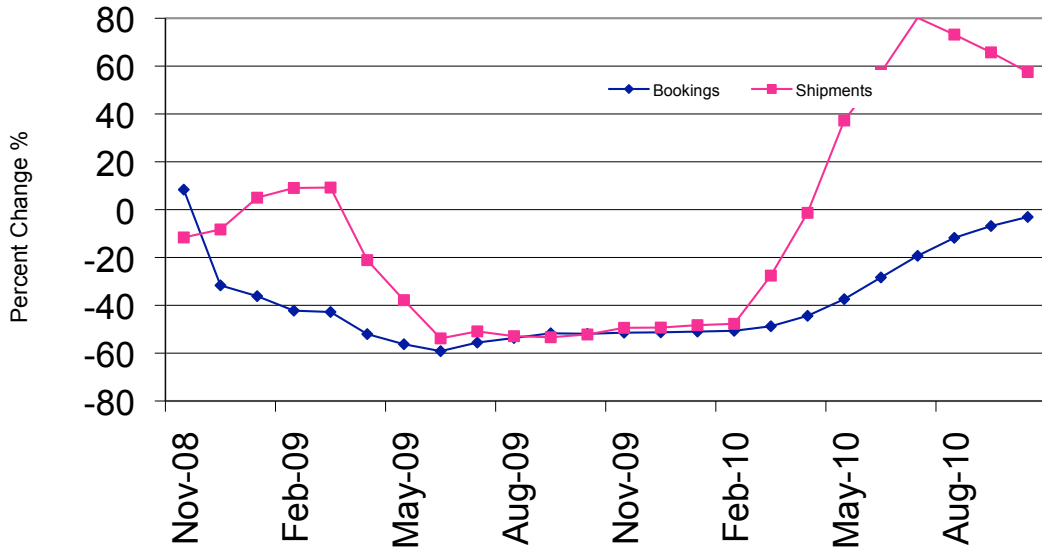
Wow, I cannot believe I am this optimistic! Hope I am right this year.

Raymond Monroe

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

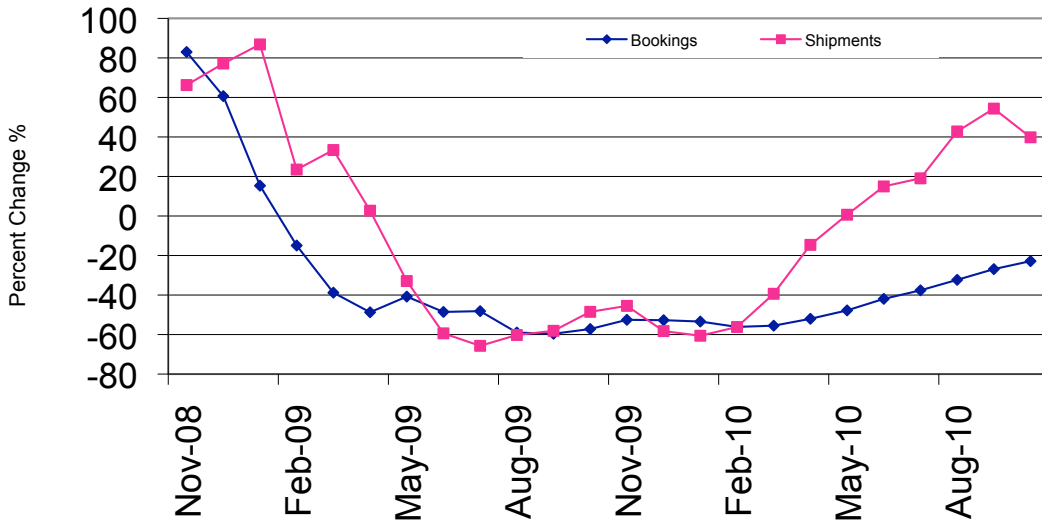
SFSA Trend Cards (%-12 mos. Ago)	12 Mo Avg	3 Mo Avg	Oct	Sep	Aug
Carbon & Low Alloy					
Shipments	22.0	57.5	73.8	52.0	46.8
Bookings	-29.4	-3.1	0.9	-3.4	-6.8
Backlog (wks)	8.1	8.0	7.5	8.5	8.0
High Alloy					
Shipments	-4.1	39.8	-6.3	48.1	77.7
Bookings	-41.5	-22.8	-20.8	-21.7	-26.0
Backlog (wks)	6.4	8.3	8.0	8.5	8.5
Department of Commerce Census Data					
Iron & Steel Foundries (million \$)					
Shipments	1,251.1	1,252.7	1,268	1,246	1,244
New Orders	1,276.0	1,285.3	1,337	1,238	1,281
Inventories	1,943.3	1,818.3	1,830	1,805	1,820
Nondefense Capital Goods (billion \$)					
Shipments	61.7	65.2	65.0	65.2	65.5
New Orders	62.6	69.8	71.3	72.4	65.6
Inventories	130.8	133.0	134.7	133.4	130.9
Nondefense Capital Goods less Aircraft (billion \$)					
Shipments	57.6	61.0	60.7	61.3	60.9
New Orders	58.3	62.7	62.2	62.9	63.0
Inventories	98.8	102.6	103.4	102.5	101.8
Inventory/Orders		1.64	1.66	1.63	1.62
Inventory/Shipments		1.68	1.70	1.67	1.67
Orders/Shipments		1.03	1.02	1.03	1.04
American Iron and Steel Institute					
Raw Steel Shipments (million net tons)	6.8	7.0	6.6	7.1	7.2

Carbon & Low Alloy Casting Market Trends



SFSA Postcards

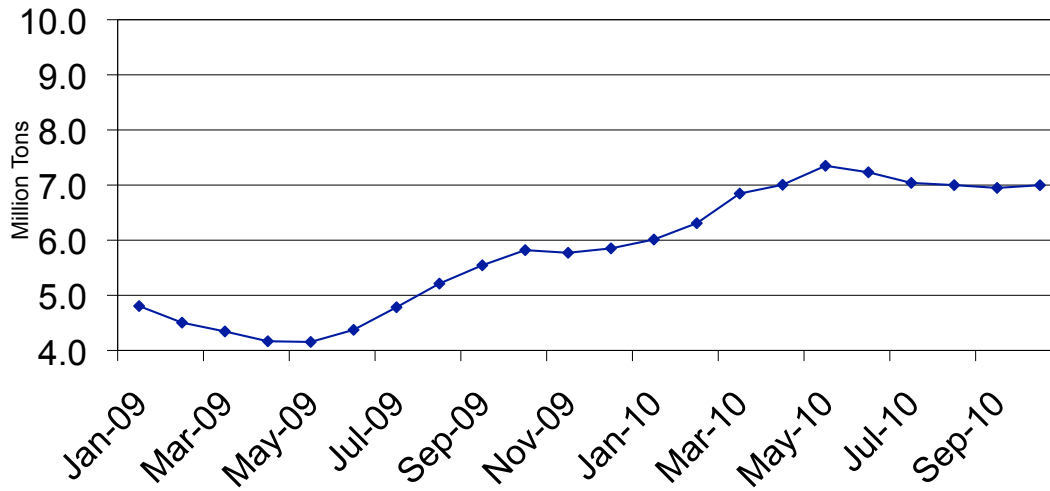
High Alloy Casting Market Trends



SFSA Postcards

Raw Steel Shipments

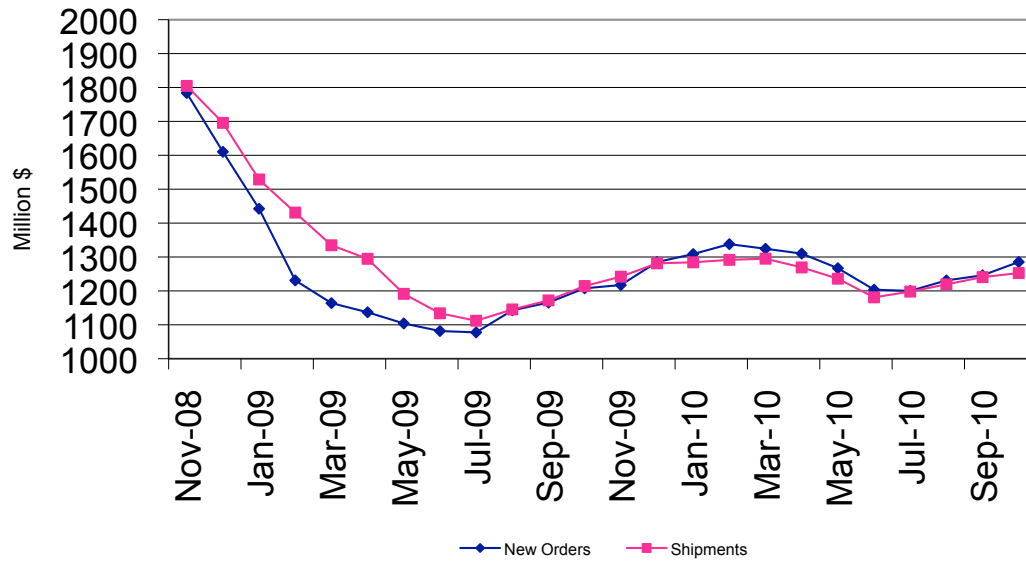
3 month average



AISI Data

Iron and Steel Castings

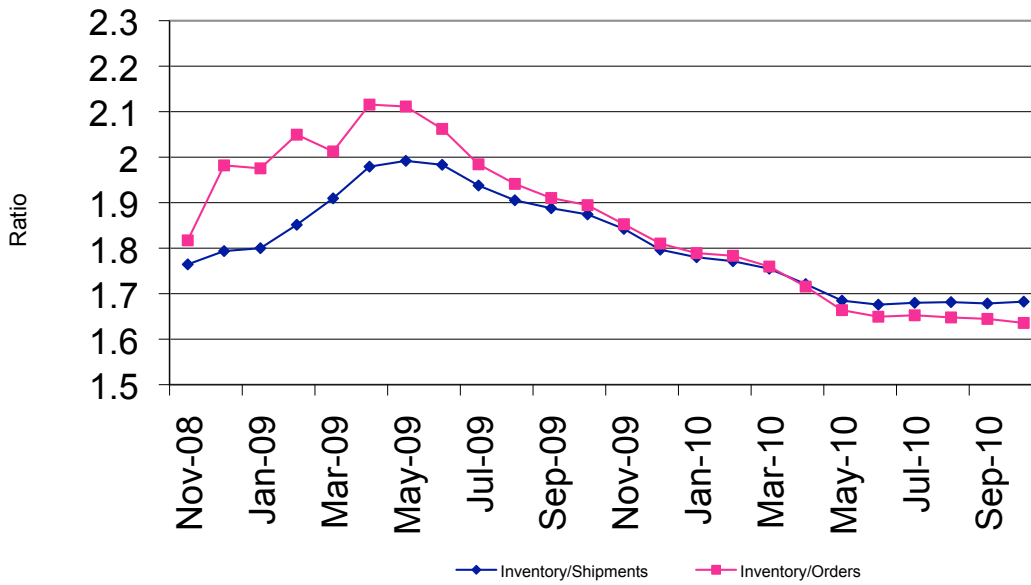
3 month average



SFSA

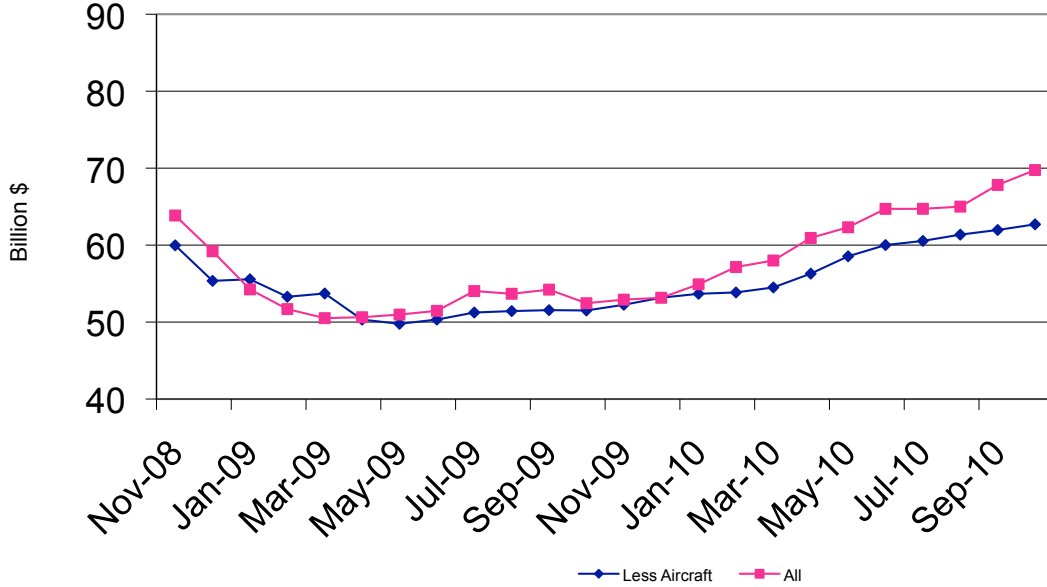
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Nondefense Capital Goods less Aircraft 3 month average



Department of Commerce

Nondefense Capital Goods New Orders 3 month average



Department of Commerce