SFSA CASTEEL REPORTER

Steel Founders' Society of America

a publication serving
SFSA steel casting industry Members

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Casteel Commentary

The Casteel commentary suggests that recognition is a powerful incentive in people. One way of showing esteem to our most skilled employees is to award them for their superior abilities and achievements. The SFSA Master Recognition is a way we are trying to provide you with a tool to honor these key people in your organization. I would encourage all members to find at least one person in their plant to nominate for Master recognition next year.

Kent Peaslee Scholarship

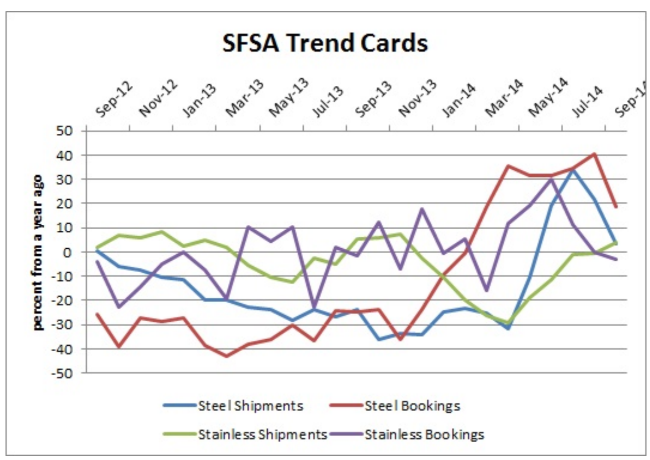
The SFSA Board of Directors decided to recognize Kent Peaslee's contribution to the industry by awarding him our Barlow award and creating a scholarship fund for interns in the industry. The Board has voted to match donations to the fund until the beginning of the year. I would request that you consider making a donation to this worthy effort.

Surveys

Thanks to all members that help us out by responding to the surveys we send out routinely. This is seen as a valuable service and allows us to give members an accurate picture of practices in the industry on a wide range of topics. We need your continued help to make our monthly business report accurate. We send out a short monthly survey and need your input to get the right information for you and everyone else. There is no other source for business activity levels available for our industry. If you submit the data from your operation, you get a report that is available only for participants.

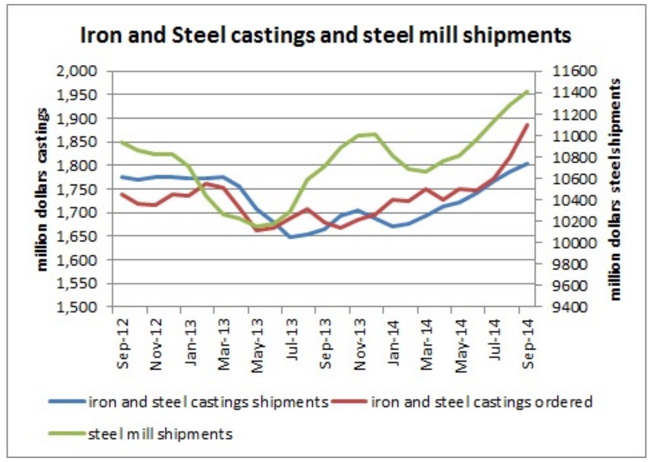
Technical & Operating Conference

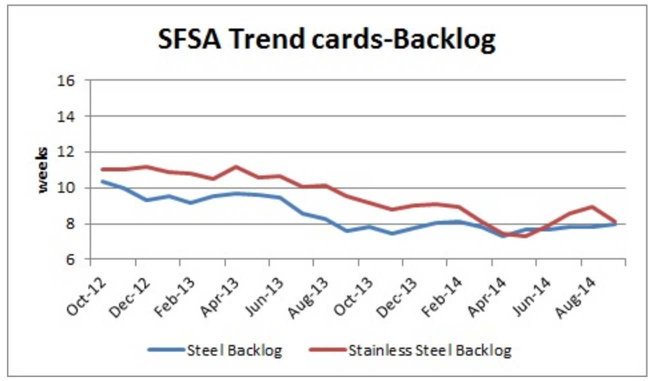
There's still time to register for the conference, which will be held December 11-13 at the Drake Hotel in Chicago with a Workshop session on the afternoon of Wednesday December 10. The conference program is attached to this newsletter and available online at http://www.sfsa.org/sfsa/toconf. The T&O committee has worked hard to put together a program of over 40 papers (over ¾ of which are being contributed by SFSA members). Take a look at the program - we believe you will agree that attending this year's conference will be of great value to SFSA members.



Spring Leadership Meeting

The SFSA Spring Leadership Meeting, formerly the Spring Management Meeting, will be held at the Embassy Suites Chicago – O'Hare Rosemont on May 6, 2015 and will include a full day of business sessions. Please mark your calendars and plan to attend. This meeting is the ideal forum to learn about issues that are important to steel foundries as well as sharing challenges and successes with industry peers. There will also be a SFSA Board and Marketing Committee held in conjunction with the Leadership meeting. The Board will meet on May 5 and the Marketing committee will meet on May 7. SFSA will send out additional meeting details and session topics in the coming months.





Market Commentary

Steel castings showed a spike in bookings and shipments in late spring and early summer. This is still not adequate to recover from the low levels from the prior year. Production is still well below both the strong markets in 2008 and the peak production in mid-2012.

Stainless steel casting activity has not been as volatile. Shipments were below the prior year since summer. Production was strong through most of 2012 through 2013 but saw slowing trends in 2014.

Backlog as reported by our members for both steel and stainless steel show continued slowing with about 8 weeks reported.

Steel casting sales on an annual basis are closely related both to steel mills sales and iron and steel casting sales reported by the Department of Commerce. Shipments for both of these items have been increasing for 2014. Steel casting shipments have not followed this trend.

Non-defense capital goods is another indicator that correlates with the requirement for steel castings. Shipments of these goods have been consistently growing. Steel casting sales are also related to the price of copper and oil. Oil prices have fallen sharply and copper prices have been stable at lower levels.

The outlook for 2015 is cautiously stable. The SFSA Marketing Committee is meeting in December and will be updating the SFSA Forecast 2015. If you have an interest in joining the committee for the meeting or becoming a member please let me know, monroe@sfsa.org.

Casteel Commentary

One of the fundamental strategic challenges facing our industry, like most manufacturing, is replacing ourselves with the next generation of steel foundrymen. We have suffered for decades with excess capacity and improved productivity so that the bulk of our people have been working in the plant since the 1980s.

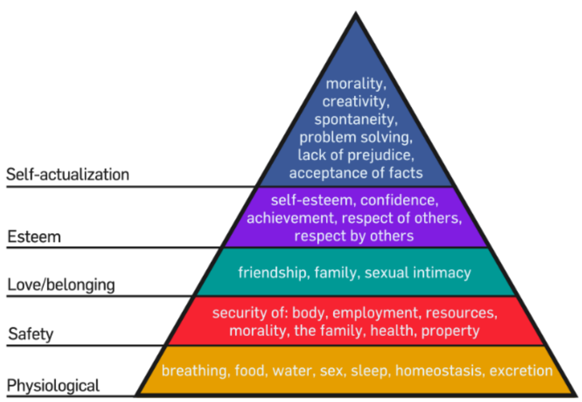
During the capital expansion or boom of the 1970s foundries expanded their production rapidly as demand and prices were moving up. The inability to meet the current demand, the forecast of customers of increases in requirements, the idea among most economies that wealth was the stuff we produced and that our standard of living depended on expanding our capital investment and infrastructure led to an insatiable appetite for steel castings. The fueling of demand through increases in the money supply and the tax code caused a preference for additional investment. This capital boom resulted in recruiting a workforce and training the people in the industry during the 1970s.

This all came to a sudden halt when stagflation in the end of the decade gave us a new Federal Reserve Chairman, Paul Volcker, who raised interest rates to stop inflation and a new President, Ronald Regan, who changed the tax code to reduce the incentive for additional capital investment. These changes exposed the reality that the capital boom had produced an excess of capital investment. In steel castings, the production went from over 2 million tons in 1979 to less than 800 thousand tons in 1982. Adjusting to this reality meant reducing the work force by retiring and laying off the excess work force. For the next 25 years, lower demand, improved productivity and working conditions meant there was little need to recruit additional employees. Training programs were dropped and staffing became stable.

After 2003, the industry finally had liquidated the excess investment as the global demand began to tax the remaining capacity. Suddenly the stable workforce was now at their career end without any plans or infrastructure to train and replace themselves. The shift in generation meant that the prior training and development tools were not effective and no longer available. We need new ways to develop new workers. While we need managers and technical staff, we also are going to need the next generation of skilled artisans capable of making more complex technically challenging steel castings.

SFSA has developed an artisan program to try to aid members in this task. It has not so far been successful at providing the developmental tools needed. In the coming year, we intend to try to refocus the effort by providing training in regional forums to develop trainers capable of supporting their companies training needs.

Perhaps more critical and an area where we need your help is in recognizing the existing artisans with the highest skills to help in this effort. SFSA has initiated a Master recognition for molders, melters, foundrymen and others to communicate our esteem of these key people. This award is conferred by the SFSA Board of Directors on SFSA employees that have demonstrated mastery of their skills and have career achievements.



If you look at Maslow's hierarchy of human needs, you see that in a healthy organization we easily provide the physical needs, safety, and a sense of belonging. The SFSA program is intended to aid you at esteeming your most skilled and accomplished employees.

Recognizing these artisans will help them, you and our industry. They will have the joy of being recognized not only by their supervision but by the whole industry for their craft. You will get the benefit of their example and influence on your team. Our industry can recruit these skilled people to help define the requirements, training and requirements in their area of skill.

After the first of the year we will again be soliciting nominations for this recognition. I would ask each member to try to identify at least one candidate for master recognition. We need these artisans and should recognize their contributions.

Raymond Monroe

STEEL FOUNDERS' SOCIETY OF AMERICA
BUSINESS REPORT

SFSA Trend Cards (%-12 mos. Ago)	12 Mo Avg	3 Mo Avg	September	August	July
Carbon & Low Alloy					
Shipments	-9.1	3.5	1.5	2.0	7.0
Bookings	11.2	18.7	-4.9	1.0	60.0
Backlog (wks)	7.8	8.0	8.0	8.0	7.8
High Alloy					
Shipments	-9.0	4.0	9.0	-2.0	5.0
Bookings	7.2	-3.0	1.0	-10.0	0.0
Backlog (wks)	8.3	8.1	6.0	8.9	9.4
Department of Commerce Census Data					
Iron & Steel Foundries (million $)					
Shipments	1,731.6	1,803.3	1,832	1,789	1,789
New Orders	1,769.9	1,772.3	1,781	1,758	1,778
Inventories	2,249.5	2,267.3	2,277	2,275	2,250
Nondefense Capital Goods (billion $)					
Shipments	76.8	80.0	80.6	79.8	79.6
New Orders	86.6	101.6	82.1	86.6	136.1
Inventories	179.5	184.0	184.7	183.9	183.4
Nondefense Capital Goods less Aircraft (billion $)					
Shipments	68.2	70.4	70.6	70.4	70.3
New Orders	70.1	71.7	72.8	72.9	69.2
Inventories	121.1	122.7	122.9	122.8	122.3
Inventory/Orders		1.7	1.69	1.68	1.77
Inventory/Shipments		1.7	1.74	1.75	1.74
Orders/Shipments		1.0	1.03	1.04	0.98
American Iron and Steel Institute					
Raw Steel Shipments (million net tons)	8.2	8.4	8.4	8.5	8.5