

THE STEEL CASTINGS INDUSTRY IN THE UNITED STATES

As a preface, it is considered that a brief review of the industry's recent past and general current situation be presented.

The requirements and production of steel castings in the United States between 1972 and 1980 have been generally balanced and, excluding recession years, have been in the 1.8 to 2.0 million tons per year range. Domestic production capacity at the end of this period was considered to be 2.2 and 2.5 million tons per year and was only minimally affected by foreign imports. The economic recession in 1977 caused a reduction of 125,000 tons.

Since 1980, the steel castings market has continued to decrease to a low of approximately 1.0 million tons of shipments in 1982 with projected shipments in 1983 forecast to be approximately 1.14 million tons. This drastic reduction in tonnage is due to the following factors:

- Depressed conditions of the freight car market
- Increase in imports
- The general recessed economy
- Loss of applications to ductile iron

Along with the ever-decreasing casting demand, the excess available foundry capacity, and the continued foreign import pressures, competition among producers for the remaining markets has become intense.

The largest consumer of steel castings in the United States is the railroad industry and represents approximately 40% of the total market. The railroad industry is generally faulted as the main cause in the steel castings market decline. Close study, however, does not confirm this conclusion. Except for 1979 when a record 90,000 new railroad freight cars were built, and the railroad industry consumed 53% of all steel castings, their average consumption as a percentage of total consumption has fluctuated less than 10%. The unusually depressed condition in the freight car market (6,000 cars in 1983) has not reduced the railroad percentage of the total market appreciably. The 1983 level of approximately 39% is expected to return to the normal 40% range as economic conditions improve. This would indicate that average U.S. economic conditions control the fluctuations of the market demand.

Although attrition due to various causes continues to erode the domestic supply side of the industry, especially for the marginally competitive jobbing and railroad equipment castings, domestic supply is projected to exceed demand at least through 1985. Exceptions in specific markets and castings sizes are to be addressed later in this report. The supply capacity remained relatively constant at nearly 2.0 million tons for many years, though railroad castings capacity was increased in the late 1970s. Foundry closings in the last six months have lowered railroad casting capacity by 500,000 tons, while other steel casting capacity has only been reduced 100,000 tons.

Another condition affecting the domestic steel castings industry in the U.S. is the ever-increasing supply of imported castings. Intense foreign price competition is expected to continue to increase in the near term and is to continue pressure to expand the import share of the steel castings markets.