

CENTRAL STEEL JOURNAL

"Keeping you informed of changes in the World of Steel"

First quarter of 2008



Steel Prices Surge! We're Investing in Growth!

Steel Price Surge

Steel prices are up - way up. We are in the middle of a supply/price squeeze and the spot prices of many products are up as much as 15 cents a pound! Steel products such as galvanized sheets are on strict allocation while most other products are on controlled order entry which means purchases are allowed within a close range of the customer's previous history helping prevent speculative buying that could further raise spot prices. But haven't we all heard this before? I feel like I wrote this same story four years ago! What is driving this new price increase? Will it last?

This price increase is unique in that it is being driven mainly by two factors: the weak US dollar and fuel surcharges. The weak US dollar has a two-fold effect on steel. First it helps increase the price of American Scrap Steel, therefore increasing new steel's cost. Second, it curtails the importation of new steel into the US, letting the domestic mills name their price. As a result scrap Steel has skyrocketed! For the same reason that tourists from all over the world have recently flocked to the US to go on shopping sprees the ever weak US dollar has enticed international scrap steel dealers to the US to buy their scrap steel. This has helped drive up the price of one of the US's biggest volume exports - scrap steel. Since scrap surcharges are a major component of new steel costs they are passed on directly by US steel mills in their net price of new steel. The mill adds the rising scrap surcharge to the already high fuel surcharge, which is now hovering at a staggering 28%, to compute the net price of new steel. *(continued on back)*



*With the US dollar so weak, everything American is on sale!
Scrap steel is one of America's biggest exports in volume and its price has been driven up by foreign buyers contributing to the rise in new steel prices!*

Central Steel - Investing in Growth

There is a rule of life that you are either growing or dying. Grass is either growing or dying and so is a person, a marriage, and a business. The minute we try to maintain, we start dying. At Central Steel we plan on staying around in the Boston area for a long time and growth through investing in our business is part of our long term plan. Our growth has been achieved and continues threefold: Investing in new plant and equipment; Providing new products and service; And investing in our people.

Plant and Equipment

In the past 5 years we have invested over half a million dollars in new plant and equipment. This followed by almost a million dollar investment in a total plant overhaul and new layout change in 2000. During this plant layout change we poured new foundations, upgraded to dual overhead cranes, installed new lighting and purchased a new ten ton crane. We even built the only area plate pit with walkways for safe retrieval of our vast plate inventory. Our investment was made so we could become more efficient and a safer place to work. In fact our safety record is so good that last year our total workman's compensation claims amounted to less than 3500! Our insurance carrier who inspects our operation every year could not find a single area we needed to change to improve safety in our warehouse! I have always said one of the best ways to find out how much a company values their employees is by the degree of priority they place on workplace safety. Since our layout change we went to a three shift 24/5 operation so our trucks can deliver "first stop" to so many different customers each day. Our drivers are so well liked and trusted that many of our customers have given them keys to their yards so they can unload the steel before they are even open! I know this sounds like I am tooting my company horn, but if you knew how dedicated Central Steel Supply's employees are to providing top-notch service you would pat them on the back too!

In subsequent years after our plant overhaul we have upgraded our Computer/CAD controlled plate burning table, installed three new computerized Hyd-Mec saws and a new 110 Geka Iron-Worker. We now offer rebar bending on our new KRB rebar bender capable of bending up to 3/4 Rebar. We can also do rebar plan takeoffs so send your plans to sales@centralsteelsupply.com for quick turn around.

In 2006, we became the only area steel service center to install a computerized drilling machine that can drill holes in beams, angles, channels, plates and tubing. This machine (FICEP 1001D) is a real workhorse and has been very helpful in providing simple jobs such as house beams for customers with staggered holes on the top flange and hole patterns for base plate connections on the bottom flange to more complicated hole patterns with virtually no layout time required. Our latest piece of equipment is a new 1/2 x 13 ft. CNC Adira Shear capable of accurately shearing steel between 20 gauge and 1/2" thick!

In our office just this year we have upgraded to a new computer system so we can quickly process your quotes and we are now capable of checking stock, pricing and faxing or e-mailing those quotes to you almost instantly! Our outside sales team is the most well connected sales force in the country with laptops that are synchronized to the home computer via the internet so they too can look at quotes and orders instantly! *(continued on back)*

Importation of steel into the US has all but dried up. In fact, US Mills with the weak dollar have actually been exporting more steel than ever before, taking supply out of the domestic market. The few imports we have seen have been limited to tubing, plate and rebar but in more than a few cases the boat has been canceled prior to departure due in part to the foreign mill finding a more profitable port of call.

1. Foreign Mills can sell their new steel for much more if they ship it to Europe or Asia.

2. During a normal year the US needs to import 30% of steel consumption.

A. With very little foreign steel coming into the US, the domestic mills can get their price.

B. Even with a projected 5% reduction in domestic steel consumption, this in no way covers the shortage of steel due to lack of imports.

3. As previously stated, the underlining factor driving steel prices up - the weak US Dollar - is projected to stay weak or decline even further, especially when considering the prospect of future rate cuts by the fed to bail us out of any pending recession.

4. China has long been a huge supplier of coal to itself and the rest of the world. But in the first half of last year, it imported more than it exported for the first time, setting off a near-doubling of most coal prices around the world. Coking Coal, a component of new steel, has also doubled in cost as a result.

The above upward price pressure on steel and all commodities continues as the third world countries of China, India and rest of the Asian block continue with their building boom to become the factory and even service workplace for the world.

Will these price increases hold? The domestic steel mills have stated over and over that they would rather cut production than their own throats in a price war. With only four major mill groups left, they certainly have the discipline to maintain prices at least until the day imported steel actually becomes a major factor, which currently is unlikely.

New Products and Services

Many of you may not know that most of our tubing and pipe is now stocked in 48 and 42-foot lengths so your orders can be cut with less waste. On top of having one of the best selections in Galvanized Structural Steel and Grating, we now stock light wall Galvanized Tubing for the awning industry. We recently added Grip Strut and a much larger selection of AR plate to our line. Let us know if you buy something on a regular basis and would like less of a hassle to get it. We are constantly looking for products that you would like us to stock for you. We are also currently working on upgrading our web site so it can become a real resource for steel users.

People

With the lowest turnover in the industry, we are very proud of our team. Our average length of service in our warehouse is over 12 years! From the drivers, to inside sales, to the warehouse cutting the steel, we all strive to deliver your order quickly and correctly. Last year we put in a special incentive plan called the "Home Run Derby" in which each day that we made no mistakes or misses (not meeting our promised time with the correct material and cuts) money was put into a pool and conversely if we made mistakes money was deducted. This incentive program really helped each person work together as a team to reduce errors and think of ways to avoid future errors! In 2007 we were happy to pay out substantial bonus to each of the 37 participating employees!

We all really enjoy serving you as customers and look forward to doing so for well into the future. We would love your input and that is why I have included my e-mail address – so feel free to drop me a note! We are constantly thinking of ways to make sure that you continue to expect the highest level of service that has made Central Steel Supply - Where Service and Steel Come Together!

Thank you,
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