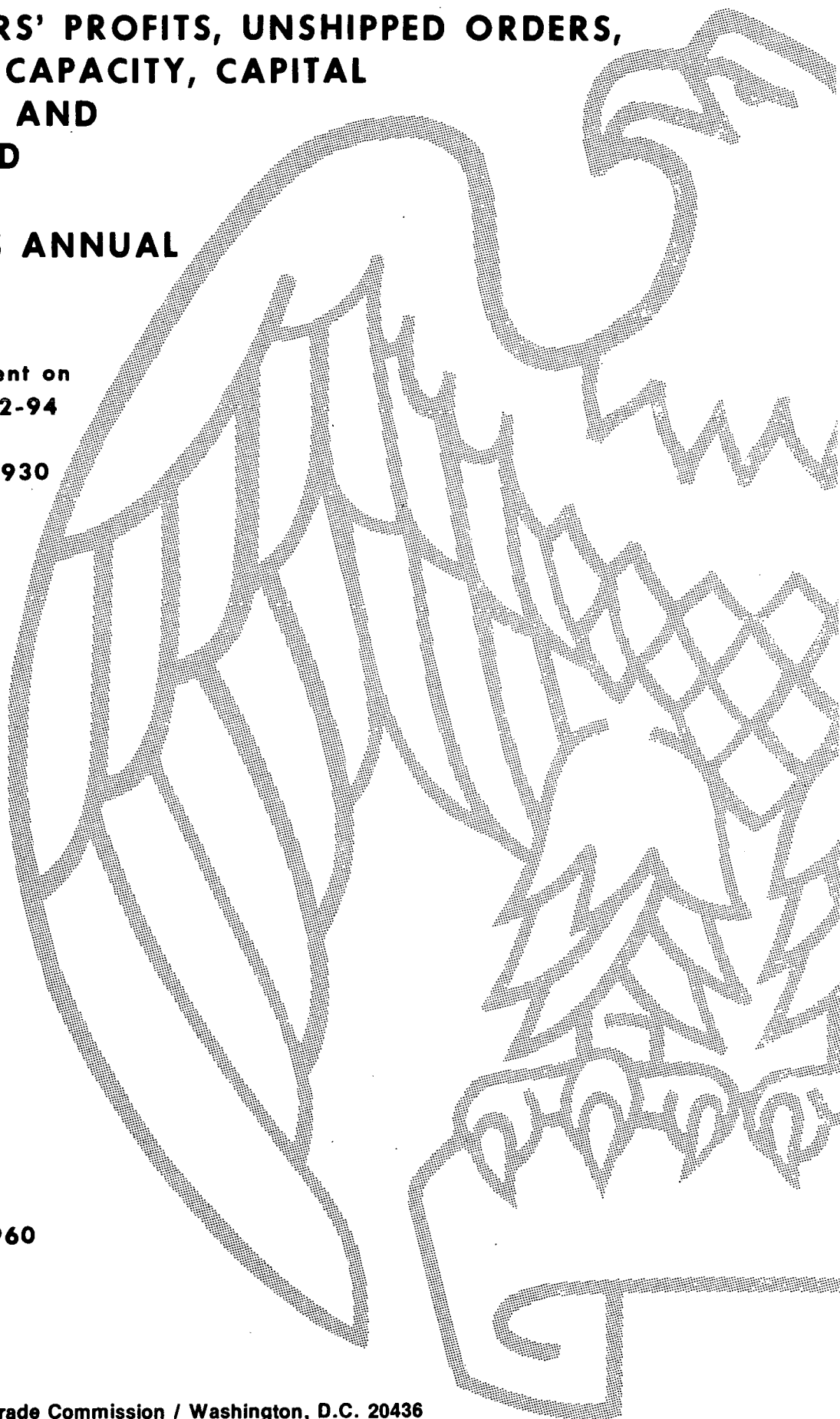


**STAINLESS STEEL AND ALLOY TOOL STEEL:
U.S. PRODUCERS' PROFITS, UNSHIPED ORDERS,
INVENTORIES, CAPACITY, CAPITAL
EXPENDITURES AND
RESEARCH AND
DEVELOPMENT
EXPENDITURES ANNUAL
SURVEY, 1978**

**Report to the President on
Investigation No. 332-94
Under Section 332
of the Tariff Act of 1930**

USITC PUBLICATION 960

MARCH 1979



UNITED STATES INTERNATIONAL TRADE COMMISSION

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NEWS

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FOR RELEASE
March 30, 1979

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USITC 79-026

USITC REPORTS RESULTS OF THIRD ANNUAL SURVEY OF U.S. PRODUCERS OF SPECIALTY STEEL

The United States International Trade Commission has completed its third annual survey of U.S. producers in connection with the quantitative limitations imposed on imports of specialty steel. The survey, required by Presidential Proclamation No. 4445, covers the calendar year 1978. The USITC report on the results of the survey provides information necessary for the monitoring of the orderly marketing agreement (OMA) between the United States and Japan, which limits imports into the United States of specialty steel from Japan, and quantitative limitations imposed on imports of specialty steel from other countries. The data cover U.S. producers' profits, unshipped orders, inventories, capacity, capital expenditures, and research and development expenditures.

According to the USITC report, U.S. producers' net operating profits from the production of stainless steel and alloy tool steel reached \$202.7 million in 1978. All product lines showed an increase in their level of profit.

U.S. producers' unshipped orders and inventories also increased in 1978 compared with 1977. The 1978 average annual figures were 190,000 tons and 381,000 tons, respectively.

more

USITC REPORTS RESULTS OF THIRD ANNUAL SURVEY OF U.S. PRODUCERS OF SPECIALTY STEEL

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Capacity to melt stainless steel and alloy tool steel decreased about 9 percent from the record high set in 1977. The figures for finishing capacity of individual product lines were mixed; flat rolled products increased and bar and rod decreased.

Capital expenditures were almost unchanged at about \$82.8 million in 1977 and 1978. However, environmental expenditures contained within the total figure declined from \$14.7 million in 1977 to \$8.7 million in 1978. Data on research and development indicate an increase of about \$1.0 million in 1978 over 1977.

The report is sent to the Special Representative for Trade Negotiations, who is responsible for monitoring the OMA implemented by the Presidential proclamation.

Copies of the report (USITC Publication 960), can be obtained by calling (202) 523-5178, or from the Office of the Secretary, 701 E Street NW., Washington, D.C. 20436.

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Summary Highlights of Economic Conditions in the Stainless Steel and Alloy Tool Steel Industry in the calendar year 1978

U.S. producers' profits

Net sales and net operating profit from the production of stainless steel and alloy tool steel reached \$2.1 billion and \$202.7 million, respectively, in 1978. These figures represent increases of \$0.4 billion (24 percent) and \$67.4 million (50 percent) compared with 1977. Net operating profit by product line increased for all categories. The ratio of return on sales also rose for all product lines except stainless steel plate. The rate of return on sales for overall operations was 9.1 percent in 1978, compared to 7.6 percent in 1977.

U.S. producers' unshipped orders

Annualized U.S. producers' unshipped orders data indicate an increase of about 30,000 tons from 160,000 tons in 1977 to 190,000 tons in 1978. Unshipped orders increased in all product lines but were highest in stainless steel sheet and strip (about 20,000 tons).

U.S. producers' inventories

Annualized U.S. producers' inventories increased 19,000 tons from 362,000 tons in 1977 to 381,000 tons in 1978. Inventories of all product lines increased except alloy tool steel.

U.S. capacity

Capacity to melt stainless steel and alloy tool steel declined to 2.5 million tons in 1978 compared with 2.7 million tons in 1977. Capacity to roll stainless steel sheets and strip, and plate increased to new highs in 1978 of 1.2 million tons and 262,000 tons, respectively. Capacity to manufacture stainless steel rod, bar, and alloy tool steel declined in 1978 compared with what it was in 1977.

Capital expenditures

Capital expenditures were almost unchanged at about \$82.8 million in 1977 and 1978. However, expenditures for three out of four components--land, buildings, and machinery increased. Only environmental expenditures declined. Budgeted 1979 figures indicated that capital expenditures will increase about 8 percent to \$89.5 million.

Research and development

Expenditures for research and development increased almost \$1 million in 1978 compared to 1977. Budgeted 1979 figures indicated an increase of about the same amount in 1979 compared with 1978.

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STAINLESS STEEL AND ALLOY TOOL STEEL:

U.S. Producers' Profits, Unshipped Orders,
Inventories, Capacity, Capital Expenditures,
and Research and Development Expenditures

Annual Survey 1978

Table 1.--Profit-and-loss experience of 20 U.S. producers of stainless steel and/or alloy steel on their overall establishment operations, 1975-78 1/

Item	1975	1976	1977	1978
Net sales-----1,000 dollars----	2,019,792	2,277,318	2,667,579	3,146,078
Cost of goods sold-----do-----	1,752,792	2,010,635	2,272,017	2,648,386
Gross profit-----do-----	267,000	266,683	395,562	497,692
General, selling, and administra-	:	:	:	:
tive expense---1,000 dollars----	169,275	168,082	183,079	197,304
Net operating	:	:	:	:
profit-----1,000 dollars----	97,725	98,601	212,483	300,388
Other expense	:	:	:	:
net-----1,000 dollars----	17,193	11,956	8,924	14,028
Net profit before	:	:	:	:
taxes-----1,000 dollars----	80,532	86,645	203,559	286,360
Ratio of net profit before	:	:	:	:
taxes to net sales---percent----	4.0	3.8	7.6	9.1

1/ 19 producers in the years 1975-76.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 2.--Profit-and-loss experience of 20 U.S. producers of stainless steel and alloy tool steel on their production of stainless steel plate, sheet and strip, rods, and bars and alloy tool steel, 1977-78

Year and item	Net sales	Costs of goods sold	Gross profit or loss	General, selling, and administrative expense	Net operating profit or (loss)	Ratio of net operating profit or (loss) to net sales
	<u>1,000</u> <u>dollars</u>	<u>1,000</u> <u>dollars</u>	<u>1,000</u> <u>dollars</u>	<u>1,000</u> <u>dollars</u>	<u>1,000</u> <u>dollars</u>	Percent
<u>1977</u>						
Stainless steel and alloy tool steel, total-----	1,686,394	1,439,877	246,517	111,241	135,276	8.0
Stainless steel, total-----	1,450,346	1,250,891	199,455	86,131	113,324	7.8
Plate-----	113,097	99,890	13,207	17,821	5,386	4.8
Sheet and Strip-----	997,026	874,431	122,595	39,727	82,868	8.3
Rods-----	38,427	33,272	5,155	4,363	792	2.1
Bars-----	301,796	243,298	58,498	34,220	24,278	8.0
Alloy tool steel-----	236,048	188,986	47,062	25,110	21,952	9.3
<u>1978</u>						
Stainless steel and alloy tool steel, total-----	2,053,469	1,724,516	328,953	126,239	202,714	9.9
Stainless steel, total-----	1,736,070	1,472,883	263,187	93,309	169,878	9.8
Plate-----	143,023	127,538	15,485	9,044	6,441	4.5
Sheet and Strip-----	1,185,246	1,021,385	163,861	42,833	121,028	10.2
Rods-----	43,415	38,228	5,187	4,214	973	2.2
Bars-----	364,386	285,732	78,654	37,218	41,436	11.4
Alloy tool steel-----	317,399	251,633	65,766	32,930	32,836	10.3

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 3.--Stainless steel and alloy tool steel: U.S. producers' unshipped orders, by quarters, Jan. 1, 1975-Jan. 1, 1979

(In thousands of tons)

Date	Stainless steel					Total	Alloy tool steel, all forms
	Sheets and strips	Plate	Bar	Rod			
Jan. 1, 1975-----	143.4	58.3	43.0	8.6	253.4	27.1	
Apr. 1, 1975-----	76.4	41.5	28.1	4.0	150.1	20.9	
July 1, 1975-----	66.8	28.5	16.5	2.7	114.6	15.0	
Oct. 1, 1975-----	72.2	22.4	12.5	2.6	109.7	14.1	
Jan. 1, 1976-----	73.5	15.4	11.9	2.5	103.2	9.8	
Apr. 1, 1976-----	82.4	13.6	11.9	2.2	110.0	6.8	
July 1, 1976-----	100.1	15.0	11.8	3.4	130.3	6.6	
Oct. 1, 1976-----	110.7	14.9	14.2	4.2	144.0	6.3	
Jan. 1, 1977-----	114.8	14.0	14.3	4.0	147.1	6.6	
Apr. 1, 1977-----	113.6	15.7	18.1	4.6	152.0	8.1	
Jul. 1, 1977-----	117.7	16.2	17.0	4.8	155.7	8.9	
Oct. 1, 1977-----	116.8	12.9	18.7	3.9	152.3	8.5	
Jan. 1, 1978-----	124.3	17.0	19.9	3.4	164.6	9.2	
Apr. 1, 1978-----	138.2	15.2	21.1	4.6	179.1	8.4	
July 1, 1978-----	141.1	16.2	26.7	5.5	189.5	8.5	
Oct. 1, 1978-----	140.0	15.6	29.0	7.9	192.5	8.4	
Jan. 1, 1979-----	162.2	18.9	35.8	9.4	226.3	9.1	

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Note.--Because of rounding, figures may not add to totals shown.

Table 4.--Stainless steel and alloy tool steel: U.S. producers' inventories, by quarters, Jan. 1, 1975-Jan. 1, 1979

(In thousands of tons)

Date	Stainless steel						Alloy tool steel, all forms
	Sheets and strips	Plate	Bar	Rod	Total		
Jan. 1, 1975-----	165.7	39.7	56.8	6.7	268.9	76.8	
Apr. 1, 1975-----	153.9	38.6	53.9	5.6	251.9	75.8	
July 1, 1975-----	147.4	38.4	49.4	5.7	240.9	69.6	
Oct. 1, 1975-----	149.0	31.9	45.9	4.7	231.5	63.1	
Jan. 1, 1976-----	178.1	35.8	30.0	5.3	249.3	58.4	
Apr. 1, 1976-----	197.7	35.4	31.6	4.9	269.6	55.7	
July 1, 1976-----	225.3	39.5	30.9	4.3	300.0	56.7	
Oct. 1, 1976-----	222.2	35.8	30.7	4.6	293.2	56.0	
Jan. 1, 1977-----	213.2	39.8	31.4	4.8	298.2	55.6	
Apr. 1, 1977-----	220.8	34.3	46.3	6.0	307.4	61.3	
Jul. 1, 1977-----	230.6	35.3	46.7	7.9	320.5	63.4	
Oct. 1, 1977-----	210.2	28.4	50.2	6.0	294.8	50.8	
Jan. 1, 1978-----	223.2	32.1	52.3	5.7	313.3	49.7	
Apr. 1, 1978-----	223.6	34.9	48.4	7.5	314.4	50.3	
July 1, 1978-----	242.3	37.9	48.7	8.3	337.2	58.6	
Oct. 1, 1978-----	247.0	37.2	45.9	8.8	338.9	58.0	
Jan. 1, 1979-----	253.5	36.6	50.9	8.1	349.1	60.6	

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Note.--Because of rounding, figures may not add to totals shown.

Table 5.--Stainless steel and alloy tool steel: U.S. capacity, by types, 1975-78

Period	Capacity to melt--			Capacity to roll stainless steel--		Capacity to manufacture--		
	Stainless steel	Alloy tool steel	Stainless and alloy tool steel, total	Plate <u>1/</u>	Sheets and strip <u>1/</u>	Stainless steel rod	Stainless steel bar	Alloy tool steel, all forms
1975-----	2,121.5	255.5	2,377.0	216.0	1,098.0	67.4	188.0	136.3
1976-----	2,345.5	256.5	2,602.0	223.0	1,163.0	69.6	191.0	136.3
1977-----	2,480.0	252.0	2,732.0	172.0	1,148.0	68.0	192.0	140.4
1978-----	2,276.5	221.1	2,497.6	262.0	1,214.0	55.8	184.6	103.7

1/ Partly estimated by staff of the U.S. International Trade Commission.

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission, except as noted.

Note.--Because of rounding, figures may not add to totals shown.

Table 6.--Capital expenditures reported by U.S. producers of stainless steel and/or alloy tool steel for the facilities used in the manufacture, warehousing, and marketing of stainless steel and alloy tool steel, 1975-1978 and budgeted figures for 1979

(In thousands of dollars)

Item	1975	1976	1977	1978	Budgeted 1979
Land and land improvements-----	567	795	1,147	2,073	954
Building and leasehold improvements-----	6,723	9,493	4,443	14,271	12,645
Machinery, equipment, and fixtures-----	55,670	86,861	62,557	57,805	71,225
Environmental expenditures	7,998	12,305	14,702	8,670	4,628
Total-----	70,958	109,454	82,849	82,819	89,452

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Table 7.--Research and development expenditures reported by U.S. producers of stainless steel and/or alloy tool steel for the facilities used in the manufacture, warehousing, and marketing of stainless steel and alloy tool steel, 1975-1978 and budgeted figures for 1979

(In thousands of dollars)

Item	1975	1976	1977	1978	Budgeted 1979
Research and development expenditures-----	13,654	12,979	14,413	15,317	16,278

Source: Compiled from data submitted in response to questionnaires of the U.S. International Trade Commission.

Library Cataloging Data

U.S. International Trade Commission.
Stainless steel and alloy tool steel:
U.S. producers' profits, unshipped
orders, inventories, capacity,
capital expenditures, and research
and development expenditures,
annual survey, 1978. Report to the
President on investigation No. 332-
94 under section 332 of the Tariff
Act of 1930. Washington, 1979

28 cm. (USITC Publication
960)

1. Tool steel. 2. Steel, stainless.
3. Steel industry and trade--U.S.
4. Steel--Prices--U.S. 5. Steel-Statistics
- I. Title.

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