



FROM THE PRESIDENT

DAVE PHELPS:

As we approach mid-April, AIIS staff is hard at work preparing for the inaugural Critical Commodities Conference in New Orleans, April 28-30. Recognizing that times are tough in the steel sector, we have established a low registration price, as well as a low price for exhibitors. Moreover, we have assembled a bevy of top level speakers for the conference, experts from the steel, steelmaking raw materials, wood, food and energy sectors.

(continued next page)

IN THIS ISSUE:

- ▶ [From the President - Page 1](#)
- ▶ [Market Update - Page 1](#)
- ▶ [China, Net Importer - Page 3](#)
- ▶ [Letter to Obama - Page 3](#)
- ▶ [DOC extends SIMA - Page 3](#)
- ▶ [OCTG Cases \(China\) - Page 4](#)
- ▶ [Steel Market Data - Page 4](#)

AIIS CALENDAR:

- ▶ *NEW ORLEANS, April 28- 30 2009*
AIIS Critical Commodities Conference
- ▶ *HOUSTON, May 12 2009*
AIIS Mid-Year Review & Golf Tournament
- ▶ *HOUSTON, September 23- 24 2009*
AIIS Gulf Region Conference

MARKET UPDATE

Trying to put together the picture of the steel and general economic market conditions is always a challenge, with conflicting data even during good times. Now, during the “bad times” it is even more of a challenge, with the big question on everyone’s mind, “When will the recession end? Are we at the bottom of the cycle yet?”

Macroeconomic data reflect the poor condition of the economy. The unemployment rate increased again, to 8.5% in March, while employers shed another 663,000 jobs. Over 3.3 million jobs have been lost in this downturn.

The final reporting for the fourth quarter of 2008 GDP showed a 6.5% decline – revised from a 6.2% decline. Reductions in exports, consumer spending, equipment and software all contributed to the decline. Early indicators for the first quarter of 2009 are not available at the time that Steel News was being written, but another decline is expected.

Other macroeconomic data show some elements that suggest the bottom is either here, or near. Existing homes sales in February were up by 5.1%, a much better result than the experts anticipated although it was acknowledged that the increase was the result of distressed sales and reduced prices for housing. Simply put, lower prices – when coupled with low interest rates – resulted in more affordable housing and an increase in demand. New home sales also registered an increase, but of course, remain at very low levels. Durable goods for February also registered an increase, after a big decline in January.

The auto market continues to be in the doldrums. The US’s Big Three posted another 40% decline in sales in March 2009 compared to March 2008, and 2008 was not itself a strong year for autos. There is some good news though; GM actually posted a 25% increase in sales from February and the auto market as a whole posted a 1.8% increase. Whether this is a sign of life remains to be seen. With the government demanding another reorganization plan from GM – or a managed bankruptcy – and that Chrysler merge with Fiat, analysts are nervous as to what the future will bring for the Big Three, or at least two of the Big Three.

(continued next page)

MARKET UPDATE (CONT)

Other negative factors are easy to find. The inventory of existing homes for sale increased again, by 5.2%. For housing, the optimists suggest that we have hit the bottom of the market and conditions are stabilizing.

The Institute for Supply Management's manufacturing index for new orders remained below the 50 level, signifying that the manufacturing sector continues to contract, but at least the number for March eclipsed 40, while the overall index remained in the mid-30s.

Construction spending declined in February compared to January by another 0.9% and was down by over 10% from February of 2008.

For steel importers, current levels of arrivals continue to reflect the sagging economic fortunes 3-5 months prior when non-NAFTA steel orders were placed. Imports for February were 1.6 million tons, down from 2.4 in January and down more than a third from February 2008.

Steel prices, according to public sources, continue to decline, with the price of the bell weather product, hot rolled sheet at around \$430 per ton and there are reports of cold rolled being offered at prices as low as to \$500 per ton.

Service centers continue to liquidate inventory, which will result in a positive demand situation when consumption improves later in the year, as is hoped.

Many pundits believe that demand for steel will improve by the end of 2009, but their predictions are not too exact as to the timing or the volume of the improvement and are at least somewhat dependent on stimulus spending by the federal government. In Europe, there is similar sentiment about the recession running its course and demand improving at the end of the year. Of course, there are others who believe that this recession will be with us much longer, 2010, 2011 or later before we return to the heady days of mid-2008.

FROM THE PRESIDENT (CONT)

Come and learn about when the markets you serve will revive, what the impact of the stimulus package of spending will have on the ports that you do business in. Come and learn, come and do some business and stay for the second weekend of the New Orleans Jazz and Heritage Fest!

Visit <http://www.criticalcommoditiesconference.com/> for more information.

In this issue of Steel News you will see our first ad ever placed in our publication, from Barthco, Division of OHL. Barthco is a longstanding member of AIIS and we are pleased that they have taken advantage of our first-time offering to open our newsletter to advertisements. The offer is open to all AIIS members. With a circulation of over 2,500, we think that this is an inexpensive and easy way to make your company's profile and name better known in the industry. Contact Daniel Elder at 703-245-8075, or Elder@aiis.org for more information.

Next up in our busy event schedule is the May 12, Mid-year Update and Golf tournament, held in Houston at Wildcat golf course. For those who have played there with us in the past, note that we are moving to their second course, the Lakes Course. I will be providing an update on DC and the market for attendees following the golf during the barbecue. For non-golfers, come and enjoy the comradery, do some business following the golf tournament. For registration information, go to <http://events.aiis.org>



April 28 - 30, 2009
New Orleans - Riverside Hilton



I need to know my shipment will clear customs.

OHL Count on us.

You'll know the status of your shipments wherever they are with OHL as your global supply chain management partner.

www.ohl.com/countonus or 800-401-6400

BARTHCO
DIVISION OF OHL

©2009. OHL, the OHL logo and "Count on us." are the trademarks of Oshorn-Hessner Logistics, LLC.

AIIS SIGNS ONTO LETTER TO PRESIDENT OBAMA

Recently, President Obama revoked the privileges Mexican truckers obtained in the Cross Border Trucking Pilot Program. This program was the long awaited integration of the truck industry, included as part of NAFTA. The integration was delayed from its original implementation date in 1995 due to safety concerns. President Clinton delayed the program to 2000, and then President Bush implemented the pilot program before the end of his second term. Shortly after President Obama entered office, he terminated the pilot program. Mexico then retaliated for the violation of NAFTA by instituting penalty tariffs on \$2.4 billion in US exports to Mexico.

On April 7, the US Chamber of Commerce sent a letter to President Obama that urged the president to work with Congress to resolve the Mexican trucking issue and end the retaliatory tariffs. AIIS was one of the 141 companies and associations that signed the letter. The letter stressed that the retaliatory tariffs put over 12,000 agricultural and 14,000 manufacturing jobs at risk.

NEW SUBSIDY PROGRAM IN ROMANIA

It has been reported that Arcelor-Mittal will be the beneficiary of Romanian subsidies for its steel producing facilities in Romania after agreeing not to shut down the plant, although it will reduce operations for three months, beginning in April 2009.

CHINA, NET IMPORTER

In 2007-2008, China exported 12 to 13 percent of its steel shipments. Now, exports have fallen to 2-3 percent of shipments and Chinese estimates are that for 2009, exports will decline by 80 percent due to weak steel markets around the world. [In 2008, the US steel industry exported over 13% of its shipments.]

In February 2009, China exported 1.38 million metric tons of steel while importing 1.41 million metric tons, the highest import total since July 2008. This has created the first steel trade deficit for China since November 2005.

DEPARTMENT OF COMMERCE EXTENDS SIMA FOUR YEARS

The Department of Commerce (DOC), decided to extend the Steel Import Monitoring Analysis system for another four years, to March 21, 2013. This program was initiated as part of the Section 201 on steel in 2002. AIIS, led by its Customs Committee Chairman Baker, Customs Committee and staff, worked with DOC at that time to make sure that the system, mandated as part of the 201, would not be burdensome to importers and would not require the payment of any fees. Many in the importing industry now believe that the data SIMA provides are useful and the system not burdensome. As a result, AIIS did not oppose the extension of the SIMA.

OCTG AD AND CVD CASES AGAINST CHINA

On April 8, the domestic OCTG industry, led by US Steel, filed anti-dumping and countervailing duty cases against imports of OCTG from China. This case had long been expected as many in the domestic industry were not secretive about their intentions in the last few months.

While there is undoubtedly a large volume of imported OCTG in inventory currently and little demand for it at this time, in an April 8, press release, AIIS pointed out that it was not unfair trade that caused the sharp increase in imports from China, it was market conditions at mid-2008.

In late June, US Steel announced an increase the price of all its pipe and tube products of \$800 per ton – including an increase in the surcharge – effective immediately. USS clearly understood that demand for OCTG was outstripping supply and the market could absorb that increase. There were in fact complaints from drilling companies that they could not get enough OCTG. The market was stunned by the size of the price increase.

At that time also, the weak dollar, when coupled with high freight rates and higher prices for most steel products in international markets, made importing into the US a difficult proposition. The \$800 ton increase changed that equation for OCTG. USS announced yet another \$200 per ton increase in September.

OCTG ordered during the July-September period from China took as long as 4-6 months to arrive, much of it just in time for the market collapse. Imports kept arriving even as the market declined and much of the steel is currently in inventory, creating a supply overhang.

This is not unfair trade; it is the result of the vicissitudes of the marketplace; a shortage turned into a surplus as a result of price increases that were too aggressive and of course, the collapse of the price of oil and gas.

Unfortunately, rumors suggest that this is just the first of a series of trade cases being readied by the domestic industry, most, we understand, against China.

STEEL MARKET DATA

| | 2009 2 months | 2008 2 months | Percentage Change |
|------------------------|------------------|------------------|----------------------|
| Domestic Shipments | 8,896 | 16,964 | -47.6% |
| Total Imports | 3,957 | 5,150 | -23.2% |
| Semifinished Imports | 322 | 1,018 | -68.4% |
| Finished Imports | 3,635 | 4,132 | -12.0% |
| U.S. Exports | 1,284 | 1,957 | -34.4% |
| Apparent Steel Supply* | 11,247 | 19,139 | -41.2% |
| Net Imports | 2,673 | 3,193 | -16.3% |

(000s of net tons)

Source: AISI statistics

*Apparent Steel Supply = Domestic Shipments + Finished Imports - Exports

AIIS IN THE NEWS

- ▶ **Article | Steel Business Briefing:**
AIIS says duties on Chinese OCTG would be “ill advised”
4.10.09
Article quoting AIIS press release.
- ▶ **Article | Wall Street Journal:**
US Steelmakers Accuse China of Dumping
4.9.09
Article quoting AIIS President David Phelps.
- ▶ **Article | Associated Press:**
Steel pipe makers file trade cases in China
4.8.09
Article quoting AIIS President David Phelps.
- ▶ **Article | American Metal Market:**
Value of G-20 accords questioned
4.6.09
Article quoting AIIS President David Phelps.
- ▶ **Article | The Times McClatchy Tribune:**
Steel imports drop with demand
4.1.09
Article quoting AIIS Press Release.
- ▶ **Article | American Metal Market:**
Wall Street surge leaves metal market unmoved
3.27.09
Article quoting AIIS President David Phelps.
- ▶ **Article | The Journal of Commerce:**
Steel Imports Plummet in February
3.24.09
Article quoting AIIS Press Release.

To be added to our distribution list for AIIS news, email your name and company to Daniel Elder with “Please add me to the AIIS distribution list” in the subject heading at elder@aiis.org.

AIIS CALENDAR

- ▶ **Critical Commodities Conference**
April 28 - 30, 2009 | NEW ORLEANS, LA
The Hilton | Two Poydras Street
- ▶ **AIIS Mid-Year Review & Golf Tournament**
May 12, 2009 | HOUSTON, TX
Wildcat Golf Course | 12000 Almeda
- ▶ **AIIS Gulf Region Conference**
September 23 - 24, 2009 | HOUSTON, TX
The Houstonian | 111 North Post Oak Lane

Not Yet an AIIS Member?

Don't miss out on our exciting benefits!

Contact Alexandra Jopp,
Membership Coordinator, AIIS,
at 703.245.8075 or jopp@aiis.org
to learn more.

For more information, visit www.aiis.org, or call 703.245.8075



Critical Commodities Conference April 28-30 | New Orleans Hilton New Orleans

Critical Conference for Critical Commodities

Register Today and receive a free coupon book to use at the Riverwalk during your stay!

Join your colleagues in this one-of-a-kind conference, April 28-30. Secretary of Transportation, Ray LaHood has been invited to come and speak at the conference on the passage of the massive stimulus bill and its near doubling of infrastructure investment in the US. We will be examining the impact of that legislation on the maritime infrastructure including the impact of the investment in the Corps of Engineers and their importance to the port system. Attend the ONLY conference covering bulk, container, break bulk and special project cargo issues and opportunities. If there is only one conference you are able to attend this year, this is the one you need to attend. Don't miss it - April 28-30 in New Orleans.

- This conference will focus on the all-important infrastructure plan, raised as a top priority in the new Obama Administration.
- Learn essential news from unparalleled experts in commodities and logistics to build your business this year and beyond.
- Connect with decision-makers from ports, commodities producers, stevedores, and transportation companies on issues that matter.
- Buy...sell...build business relationships...initiate or even close deals - the people you need to do business with will be at the Critical Commodities Conference in New Orleans April 28-30.

It's a must-attend event for everyone who moves cargo through our port system:

- Steel
- Steelmaking raw materials
- Food
- Wood products
- Grains
- Energy

Infrastructure is a top priority for the Obama Administration. Make it your priority and register today for the Critical Commodities Conference. Find out what the economic stimulus package could mean to the commodities industry and related transport.

The cost to attend is just \$550 - Gain new business through networking at our event! Register today!

