STAINLESS STEEL AND ALLOY TOOL STEEL: U.S. PRODUCERS' PROFITS, UNSHIPPED ORDERS, INVENTORIES, CAPACITY, CAPITAL EXPENDITURES, AND RESEARCH AND DEVELOPMENT EXPENDITURES, ANNUAL SURVEY, 1979

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

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Summary Highlight of Economic Conditions in the Stainless Steel and Alloy Tool Steel Industry in the Calendar Year 1979

U.S. producers' profits

Net sales and net operating profit from the production of stainless steel and alloy tool steel reached $2.6 billion and $287.5 million, respectively, in 1979. These figures represent increases of $0.5 billion (23 percent) and $84.8 million (42 percent) compared with 1978. Net operating profit by product line increased for all categories. The ratio of return on sales also rose for all product lines except stainless bar. The rate of return on sales for overall operations was 11.0 percent in 1979, compared with 9.9 percent in 1978.

U.S. producers' unshipped orders

Annualized U.S. producers' unshipped orders data indicate an increase of about 58,000 tons from 205,000 tons in 1978 to 263,000 tons in 1979. Unshipped orders increased in all product lines.

U.S. producers' inventories

Annualized U.S. producers' inventories increased 16,000 tons from 392,000 tons in 1978 to 408,000 tons in 1979.

U.S. capacity

Capacity to melt stainless steel and alloy tool steel increased to 2.7 million tons in 1979 compared with 2.5 million tons in 1978. Capacity to roll stainless steel sheets and strip, and plate increased to new highs in 1979 of 1.4 million tons and 285,000 tons, respectively. Capacity to manufacture stainless steel rod and bar declined in 1979 compared with what it was in 1978.

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Capital expenditures

Capital expenditures decreased to $73.4 million in 1979. However, expenditures budgeted for 1980 totaled a projected $109.4 million.

Research and development

Expenditures for research and development increased almost $1 million in 1979 compared with 1978. Budgeted 1980 figures indicated an increase of about $3.8 million in 1980.

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Table 1.--Profit-and-loss experience of 20 U.S. producers of stainless steel and/or alloy steel on their overall establishment operations, 1975-79 1/

Item	1975	1976	1977	1978	1979
Net sales--------1,000 dollars----	2,019,792	2,277,318	2,667,579	3,146,078	4,063,687
Cost of goods sold--------do------	1,752,792	2,010,635	2,272,017	2,648,386	3,414,468
Gross profit----------do------	267,000	266,683	395,562	497,692	649,219
General, selling, and administrative expense---1,000 dollars----	169,275	168,082	183,079	197,304	226,752
Net operating profit---------1,000 dollars----	97,725	98,601	212,483	300,388	422,467
Other expense net----------1,000 dollars----	17,193	11,956	8,924	14,028	20,074
Net profit before taxes----------1,000 dollars----	80,532	86,645	203,559	286,360	402,393
Ratio of net profit before taxes to net sales---percent----	4.0	3.8	7.6	9.1	9.9

1/ 19 producers in the years 1975-76.

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

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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, 1978-79

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
	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	1,000 dollars	Percent
1978						
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
1979						
Stainless steel and alloy tool steel, total	2,606,115	2,178,481	427,634	140,119	287,515	11.0
Stainless steel, total	2,249,891	1,898,902	350,989	104,265	246,724	11.0
Plate	229,498	203,262	26,236	11,740	14,496	6.3
Sheet and Strip	1,518,856	1,284,781	234,075	46,744	187,331	12.3
Rods	68,499	59,935	8,564	5,203	3,361	4.9
Bars	433,038	350,924	82,114	40,578	41,536	9.6
Alloy tool steel	356,224	279,579	76,645	35,854	40,791	11.5

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

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Table 3.--Stainless steel and alloy tool steel: U.S. producers' unshipped orders, by quarters, Jan. 1, 1975-Jan. 1, 1980

(In thousands of tons)

Date	Stainless steel					Alloy tool steel, all forms
	Sheets and strips	Plate	Bar	Rod	Total	
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
Apr. 1, 1979	201.3	22.5	43.1	10.3	277.2	9.0
July 1, 1979	209.7	33.0	47.0	10.1	299.8	9.3
Oct. 1, 1979	153.3	18.1	47.6	11.1	230.1	9.5
Jan. 1, 1980	136.7	13.8	44.5	11.3	206.3	9.7

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.

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Table 4.--Stainless steel and alloy tool steel: U.S. producers' inventories, by quarters, Jan. 1, 1975-Jan. 1, 1980

(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
Apr. 1, 1979	237.6	42.9	54.2	7.0	341.7	56.7
July 1, 1979	251.1	42.1	56.4	7.9	357.5	54.6
Oct. 1, 1979	253.1	39.8	55.0	6.7	354.6	66.8
Jan. 1, 1980	235.3	40.7	56.5	7.9	340.4	58.1

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.

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Table 5.--Stainless steel and alloy tool steel: U.S. capacity, by types, 1975-79

(In thousands of tons)

Period	Capacity to melt--			Capacity to roll stainless steel--		Capacity to manufacture--		
	Stainless steel	Alloy tool steel	Stainless and alloy tool steel, total	Plate 1/	Sheets and strip 1/	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
1979	2,484.8	235.2	2,720.0	285.0	1,442.0	55.1	183.6	111.4

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.

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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, 1975-1979 and budgeted figures for 1980

(In thousands of dollars)

Item	1975	1976	1977	1978	1979	Budgeted 1980
Land and land improvements	567	795	1,147	2,073	775	2,419
Building and leasehold improvements	6,723	9,493	4,443	14,271	6,677	12,790
Machinery, equipment, and fixtures	55,670	86,861	62,557	57,805	59,839	89,527
Enviromental expenditures	7,998	12,305	14,702	8,670	6,134	4,615
Total	70,958	109,454	82,849	82,819	73,426	109,351

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

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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, 1975-1979 and budgeted figures for 1980

(In thousands of dollars)

Item	1975	1976	1977	1978	1979	Budgeted 1980
Research and development expenditures	13,654	12,979	14,413	15,317	16,636	20,387

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

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