

STEEL MILL ROUNDTABLE

(Steel Mill Roundtable is a new occasional feature in Modern Steel Construction. The Roundtable focuses on a single issue of importance to designers and contractors and asks the major steel suppliers in the U.S. for their opinions.)

Background: Last month, Northwestern Steel & Wire Co., a medium-sized domestic steel producer for the building market, shut down one of its mills. Coupled with Bethlehem Steel's dropping out of the wide flange marketplace earlier this year, some engineers and fabricators have expressed concerns about structural shape availability. However, the remaining mills express confidence that supply is more than adequate.

Question: What effect will Northwestern's shutting down of their Houston mill have on the fabricated structural steel market in the U.S.?

Robert W. Johns, Sales Manager, Nucor-Yamato Steel Co.:

Northwestern's primary products at Houston were wide flange and H-piling sections, plus a fairly nominal amount of standard "I-beams". It is our opinion that the remaining structural mills in the United States can absorb the tonnage produced by Northwestern at Houston. What we term the parallel flange market (wide flange and H-piling) has been fairly constant at 3.6 to 3.7 million tons for the past three years (including projected 1997). The remaining producers, Nucor-Yamato,

Chaparral, Northwestern and several other "mini-mills" are estimated to be able to produce slightly over 4 million tons of wide flange and H-piling without making significant changes in normal product mix. In addition, the United States has been a net importer of wide flange sections for eight of the past 10 years.

James L. Wroble, General Manager, Structural Products, Chaparral Steel Co.:

The short answer is that there is no long-term adverse impact. There is ample structural steel supply for the United States market. In fact, a logical person using industry data can still present a reasoned case for a bit of structural product "oversupply" in our industry.

Greg DePhillis, General Manager, Plate and Structures, TradeARBED, Inc.:

The effect of the closing of this plant would, in our opinion, normally only result in a shift in purchasing trends and buying habits by customers with little effect on steel supply. However, this mill closing combined with several current market conditions (a decline in structural imports due in part to stronger markets in Europe and the Far East, a large number of mega-projects set to be released over the next few months, increasing participation by domestic fabricators in projects in China and other non-domestic markets, and improving econom-

ic situation in Mexico, and a potentially increasing demand for steel in offshore platforms for the Gulf of Mexico) could have a compound effect on the supply situation. Mill capacity, though, should be sufficient to meet demand.

Question: What actions are steel suppliers taking to ensure demand can be met?

DePhillis:

We have alerted our mills to the potential for an increase in demand, particularly on heavier shapes, and we have been assured that they are prepared to meet such an increase should it develop.

Wroble:

All Chaparral customers have been given the opportunity to cover at least 100% of their historical order patterns. As of this date (June 18, 1997), many customers have increased their levels of business with us. Chaparral's structural product shipments were at record levels even prior to the Northwestern announcement. Also, Chaparral has plans to add more than 1 million tons of structural capacity during the course of the next five years. Most of this new tonnage will be produced in the eastern U.S.; the result will be Chaparral East and Chaparral Texas mills. A large percentage of Chaparral East's production will be sections not currently produced in this country or sections currently produced by only one domestic mill. Structural fabricators will

STEEL MILL

ROUNDTABLE

continue to have choices for their steel product requirements.

Johns:

Nucor is taking several steps to provide replacement capacity for Northwestern's Houston mill. First, we have gone to a six day per week operation on our large mill. Second, we will alternate operating six and six-and-a-half days per week on our medium section mill every other week. Third, we will extend our rolling cycle (not lead times) one week on both mills to reduce size changes and pick up additional rolling hours. Fourth, we will move certain sections between mills to optimize tons per hour on both mills to increase production. We believe these steps will replace any volume lost at Houston. As a footnote, Nucor-Yamato will still be able to service our regular customers in Canada and Mexico as well as our regular international customers.

Probably the most significant change will occur upon completion and startup of the recently announced Nucor structural mill in Berkeley County, SC. That mill will provide a 300,000 ton increase in wide flange capacity by itself. In addition, the potential for optimization between the new mill at Berkeley and our two mills in Blytheville will significantly increase capacity at Blytheville. There is a considerable synergistic effect.