

Spring is in the air

In Chicago, Spring is finally in the air. Yesterday, we had our first truly balmy day, with temperatures in the 60s, the sun shining, a warm wind blowing, and birds chirping everywhere.

Over the past few weeks, conversations I've had with people in the gear industry make it seem that it's not just the weather that's warming up. The gear industry is also going through a healthy transition. Spring is finally coming to gear manufacturing.

Talking to both gear manufacturers and suppliers of gear cutting tools and machine tools, almost everyone in the industry seems to be extremely busy. Gear manufacturers are not only cutting gears, they're adding capacity. Cutting tool manufacturers are posting record sales. Gear machine tool manufacturers are filling up their capacity and looking into 2006.

In short, there appears to be growth in the industry again.

Roland Ramberg, president of The Gear Works—Seattle Inc., says that 2005 sales are "robust," that he expects to record his largest volume ever, by more than 10%. Ramberg says that a number of industries are driving demand, including most of the OEM heavy industries, material handling, conveyors, construction, mining, and printing. He also notes that the market for wind turbine gears has picked up considerably.

Cam Drecoll, president of Brad Foote Gear Works, says his business in 2005—and projected into 2006—is "booming," and that demand for gears in a number of key industries is also "booming." Those industries include wind turbines, locomotives, off-highway, steel and oil.

The story at Gear Motions Inc. is also extremely positive. Sam Haines, the company's president, says that 2005 will be his company's biggest year ever in terms of both sales and profits. Demand for hardened and ground gears is intense, especially in the automotive and motorcycle industries, Haines says.

Craig Ross, president of Midwest Gear & Tool, says that his sales were up 30% in 2004 and that he expects 2005 to be even better, with demand still strong among his machine tool, aerospace and military industry gear customers. In fact, Ross says, the only thing that might hold him back this year is the fact that he's in the process of moving to a new building.

Overton Gear & Tool has experienced double-digit sales growth over the past three years, according to company president Lou Ertel, and demand for his company's gears remains strong. Ertel expects that 2005 will be another growth year for Overton.

Forest City Gear is also building on a very strong 2004 and expecting a similar 2005, according to general manager Mike Goza. Forest City has picked up new customers since last year, and demand for gears in aerospace, motorcycles and fishing reels is keeping the company very busy.

I think you get the point. For many gear manufacturers, finding customers isn't the problem it was a couple of years ago.

But I don't want to give you the idea that everything is rosy, because it's not. I've talked to some gear manufacturers who are still struggling. Even those who are experiencing growth right now face significant challenges. Most everyone I spoke to said that one of their biggest problems is the rising costs of health care.

Some of the biggest challenges facing gear manufacturers are on the supply side. Most of them told me they're having a hard time getting their hands on raw materials, with delivery times for forgings as high as six months. More than one manufacturer also told me he was having a hard time getting gear steels, irrespective of price.

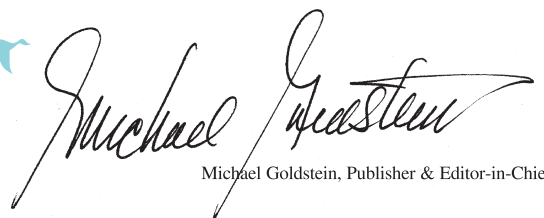
I also know, from talking to machinery suppliers, that if you think you might need to add capacity and you haven't already, you may have to wait in line.

Jeff Barnes, president of New England Gear, specializes in retrofitting gear machines. Barnes says he's full to capacity right now.

Gary Kimmet, VP of worldwide sales for Gleason Corp., says that both cutting tool and machine tool sales are "powerful," that 2005 is already shaping up to be a "great" year and that 2006 will likely be "very good" for Gleason. According to Kimmet, sales are strong both in the United States and Asia.

David Goodfellow, president of Star SU LLC, says that cutting tool sales were strong in 2004 and will be very strong in 2005 and that the demand is being driven by the automotive, construction and wind energy industries. Goodfellow also says that machine tool sales are expected to increase again this year.

The change of seasons is invigorating, especially when it seemed like the winter in the gear industry would never end. But now the gear industry appears to be poised for a period of needed growth. I'm really looking forward to the rest of 2005—and so should you!



Michael Goldstein, Publisher & Editor-in-Chief