



American News

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U.S. Fastener Importers Raise Prices to Counter Tariffs

U.S. fastener importers are raising prices in response to a tariff hike on fasteners from China. U.S. President Donald Trump hiked 10% tariffs on \$200 billion of fasteners and other select goods manufactured in China to 25% on May 10.

Brighton-Best International president Jun Xu said that his company has taken a "hybrid" approach to address tariffs. "We've had to increase our prices to compensate for the added cost of tariffs, and we've been looking to diversify our countries of origin," Xu said.

Ohio-based Stelfast president Don Haggerty said that his company is also raising prices. "As we start to incur the additional cost on incoming product we will be adjusting our selling price," Haggerty stated. "These price increases will be rolled out over the next couple of months."

Xu said Brighton-Best was surprised by the May 10 tariff hike. "All indications have been that the negotiations were going well," Xu stated. "At this point however, we believe the tariffs are a long-term issue as both China and the USA have entrenched themselves further into their corners." In addition to price increases, both importers said they're looking at sourcing fasteners from countries other than China to offset the tariffs.

Stelfast has reviewed pricing from China, Taiwan, Korea, Vietnam, Thailand, Germany, Italy, Croatia, India and Mexico, Haggerty said. In addition, both importers are looking to source fasteners from other countries. "We have begun moving production of several products to countries other than China to minimize the impact," Haggerty said. Haggerty noted that resourcing fasteners comes with an increased cost on virtually all products. Fastener tariff hikes aren't the only issue importers are trying to solve, according to Haggerty. "Our next challenge is the nut product," Haggerty said. "This has not been included in any of the tariffs in the past year. "However, there is now a proposed list 4 that was released. The tariff code for nuts is included on this listing."

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So how long before fasteners taxed at the 25% rate arrive in the U.S.? “For the affected products, basically anything that enters after June 1st will be affected,” Xu stated. “Considering it takes 90-120 days to produce and 1 month of shipping time, basically our on order PO’s from Feb 2019 onwards are affected.” Xu said he does not expect a quick resolution to the U.S. tariffs. “The USA wants structural change in China’s economy and introduce new laws / enforcements around intellectual property protection among other issues,” Xu said. “China has made it clear it will not enforce any structural changes to its laws to placate the USA. “China is probably playing to wait out the Trump administration. So we do not believe this will go away anytime soon.”

U.S. Fastener Tariff Roundup

U.S. President Donald Trump hiked 10% tariffs on \$200 billion of fasteners and other select goods manufactured in China to 25% on May 10. The higher Section 301 tariffs only apply to products leaving China as of May 10, not those already in transit, according to the New York Times.

“President Trump’s threat to impose more tariffs on China stemmed from his concerns that the United States was about to be on the losing end of a historic trade deal,” the Times reports. China quickly retaliated with tariff hikes on U.S. goods.

While many U.S. business groups agree that China has an unfair advantage on trade, they think “the economic pain of tariffs makes them a poor negotiating tool,” according to the Times.

Economists question Trump’s understanding of the tariff process. On May 6, Trump declared on Twitter that “China has been paying Tariffs to the USA” and

that those “payments are partially responsible for our great economic results.” “The Tariffs paid to the USA have had little impact on product cost, mostly borne by China,” Trump added. But that’s not how tariffs work. China doesn’t pay the U.S. when a tariff is in place. Importers of the products pay the tariffs in the form of customs duties and either absorb the extra cost or pass it on to consumers.

Meanwhile, the U.S. lifted steel and aluminum tariffs on Canada and Mexico. The move will lift the 25% steel and 10% aluminum tariffs the U.S. placed on its North American neighbors almost a year ago.

In a joint statement, Canada said it will lift retaliatory duties on U.S. products as part of the deal, Bloomberg reports. Mexican Deputy Foreign Minister Jesus Seade said the deal would open the way for Mexican lawmakers to approve the new North American trade deal. “As part of the agreement, the U.S. will be able to re-impose the tariffs on metals imports if not enough is done to prevent any surge of metals imports beyond historical levels,” Bloomberg reports. “The nations have also agreed to ramp up efforts to trace where the metals have come from originally, to stop the diversion of shipments from other nations to dodge tariffs.”

The tariffs were justified after the Commerce Department reported that steel and aluminum imports “threaten to impair the national security,” as defined by Section 232 of the Trade Expansion Act of 1962.

The months after the tariffs were imposed were often chaotic for U.S. fastener manufacturers and other companies attempting to win exclusions from the duties.



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Mowins: More Counterfeit Fasteners Being Marketed

Counterfeit fasteners are on the rise again, Mike Mowins told a 2019 Fastener Fair USA conference. Fastener problems led to the U.S. Fastener Quality Act, which after more than a decade of legislation and amendments was implemented on December 6, 1999. Mowins spoke as president of Global Licensing for Phillips Screw Company. He has subsequently retired (see FIN DATE).

Government agencies such as the Department of Defense and Department of Energy are “looking hard again at the fastener industry due to questions about counterfeit fasteners,” Mowins said.

The FQA led to registered head marks with the U.S. PTO, which gave “some level of assurance” on fasteners greater than one quarter inch. Mowins said. Mowins noted there are FQA exemptions – including parts of assemblies, orders for spares in quantities of 75 or less, ISO / QS9000 registered and aircraft which have their own standards.

Changing Marketplace

The larger role of VMI, the stock-to-dock pricing per piece rather than quality and the global supply chain are changes since the U.S. FQA. The B2B online marketplace didn’t exist at the time of FQA, Mowins noted. Fasteners “once came from a source you knew,” he observed. Today China “recycles” electronic parts and resells them as “new supplies” which confuses the sourcing and lacks traceability.

Mowins cited the Coast Guard issuing a safety alert after finding counterfeit fasteners in 2017. An investigation of a ferry propulsion failure led to evidence of falsely-identified fasteners being used as part of the drive train system. Several installed bolt heads separated from their shanks, resulting in disconnection from transmission and water leaking into the engine room. Mowins also cited the SAE G-21 counterfeit materials committee as a factor in trying to assure fastener quality.

- “If you deal with the DoD and DOE, requirements are coming, which will “flow down” in the supply chain.
- “Know your supply chain” to reduce risk of counterfeits, Mowins advised.
- “If the price is too good, it probably is,” he said.
- “Train your people,” Mowins emphasized as part of your staff understanding quality and supply.
- Trademarks provide an extra level of quality assurance. Trademarks ID the source.

Mowins said one of the best defenses against imported counterfeit fasteners is the U.S. Immigration & Customs Enforcement’s regulation of registered trademarks at the U.S. borders. Customs Enforcement seizes and often destroys counterfeit bolts it finds, Mowins said.

Touhy: Robots Simplify Access To Information



“Robots are coming,” John Touhy of Fanuc America declared in a Fastener Fair USA presentation entitled “Automate or Evaporate.” Since 2012, robots have been increasing 20% to 30% annually, Touhy said. “Fear mongers” have been claiming robots “eliminate jobs,” Touhy acknowledged. But those are “dirty, dangerous jobs.” Touhy countered that robots “create careers” and robots “turned Chrysler around.”

Fanuc is a group of global companies providing automation products and services, including robotics and computer numerical control wireless systems.

- Robots offer a “predictive future,” such as giving 663 issues to avoid with a machine. Robots can “calculate failures three or four months out,” Touhy said. “We got an alert to check the grease, resulting in no lost production time.”

- Could you produce more work if you had more skilled employees? Touhy asked. “How much work do you get done when a machine operator is on break or absent?”

Robots can have zero down time and just one robot can operate multiple machines, Touhy pointed out.

- Robots are “consistently repeatable and reliable” as long as maintained, Touhy said.
- Robots “simplify access to information.”
- South Korea, Japan and Germany lead in use of robots. Italy, Sweden and Denmark are next – ahead of the U.S. which is #7 and Taiwan #10.

Touhy finished his list of advantages of robots by observing that “robots never talk back.”

Aerospace Fastener Stocks Outperform Industrials

The FIN Review of Fastener Stocks covers the fastener portion of 19 public companies. In the most recent quarter, aerospace fastener stocks replaced industrials as the dominant performer. Highlights include:

Arconic reported Engineered Products and Solutions (EP&S) revenue, primarily aerospace fasteners, increased 5% to \$1.5 billion in the opening quarter of 2019. Organic revenue grew 7%, driven by aero engine and defense growth. Segment operating margin was 16.8%, up 210 basis points year over year.

Bossard Group reports 2019 first quarter sales grew 5.4% to CHF 232.2 million (US\$230.1 million) despite “markedly more challenging business conditions,” Fastener + Fixing Magazine reports.

European sales increased 5.1% to CHF 138.9 million (+7.3% in local currency). U.S. sales dropped 4.9% to CHF 58.1 million due to subdued sales development with several major customers. Sales in Asia rose 16.6% to CHF 35.2 million (+17.7% in local currency).

Chicago Rivet & Machine Co. reported fastener segment revenues fell 15.1% to \$7.6 million in the first quarter of 2019. Q1 sales to U.S. automotive customers declined 21.5% to \$1.06 million. Production costs rose due to higher material costs related to U.S. tariffs on steel and aluminum instituted in 2018.





Fastenal reported sales of its fastener products grew 11.8% on a daily basis to \$455.6 million in the first quarter of 2019, representing 34.8% of overall sales. Daily sales of fastener products increased to 13.5% in March, compared to a 12.4% rate of growth in March 2018. Q1 sales of non-fastener products rose 12.7% on a daily basis to \$853.7 million in Q1, representing 65.2% of sales.

Grainger reported sales, including fasteners, increased 3% to \$2.8 billion in the opening quarter of 2019, driven by a 3 percentage point increase in volume and a 1.5 percentage point increase from price. Operating earnings rose 8% to \$363 million, with a margin of 13%.

Gross profit margin was 39.1 percent versus 39.5 percent in the 2018 first quarter. Q1 net earnings gained 9% to \$253 million.

ITW reported revenue at its Automotive OEM segment, including fasteners, dropped 10.5% in the opening quarter of 2019. Segment operating income declined 23% to \$167 million. During the same period, Construction Products revenue, including fasteners, dipped 6.3% to \$401 million, with segment operating income down 8.4% to \$87 million.

Stanley Black & Decker reported Engineered Fastening organic revenues during the first quarter of 2019 fell 4% "as automotive light vehicle production declines and lower system shipments more than offset continued fastener penetration gains." Sales at the company's Industrial segment, including fasteners, increased 10% to \$555 million, despite a 3% decline in volume. Segment profit dropped 12% to \$71 million.

TriMas reported first quarter sales at its Aerospace segment, which includes the Monogram Aerospace Fasteners, Allfast Fastening Systems and Mac Fasteners brands, increased 1.4% to \$38.3 million due to steady demand levels for fasteners. Segment operating profit rose 25% to \$5.7 million.

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G.L. Huyett Opens New Tech Center



G.L. Huyett, headquartered in Minneapolis, KS, USA, opened a Technology Center in Sidney, NB, USA, to support the company's belief in the future of B2B commerce in the industrial space as well as the increasing relevance of e-commerce. The new Technology Center is headed by Sarah Sinnett, VP of Technology and Marketing. She also sits on G.L. Huyett's Executive Committee. And to lead the continued development of its e-commerce site, G.L. Huyett has also hired Alan Beard to the newly created role of E-Commerce Manager. The company has also hired Charles "Chuck" Hoffman as Special Projects Administrator to initiate a data analytics function.

SPIROL Completes Major Expansion at Connecticut World Headquarters

SPIROL employees, company executives, board members, state representatives, and other honored guests gathered to celebrate the completion of the major expansion to SPIROL's world headquarters and largest global manufacturing facility located in Danielson, CT, USA. The expansion that began in early 2016 includes significant additional manufacturing space, new state of the art warehouses for raw material and finished goods, a new quality lab and office space, new flooring, updated lighting and significant investments in new production technology. Overall this effort expanded the manufacturing area by approximately 40%. Jeff Koehl, CEO and grandson of founder Herman Koehl, took to the podium to address all in attendance and express pride in the accomplishments of a small company that started 71 years ago with the invention of the Coiled Spring Pin. Today, SPIROL has grown to be an internationally recognized leading brand in the fastening, joining, and assembly industry with locations on 4 continents and 13 countries. In total, there are 13 manufacturing, sales and full service distribution facilities across North America, South America, Europe and Asia giving SPIROL a unique vertical position in today's dynamic market place.



Semblex Introduces Fastener for Light Metal Alloys

The newly introduced FastFlow™ FDS® from Semblex Corp., Elmhurst IL, USA, has solved the cycle time challenge. The multi-helix thread design has reduced the thread forming and tightening stages by over 65%. When this is coupled with an aggressive programming strategy and the FastStart™ finding feature on the head, cycle times of 0.4 to 0.6 seconds can be achieved. FDS is a registered trademark of EJOT Verbindungstechnik GmbH.



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Fastenal Hits Industrial Vending Milestone: 100,000+ Active Devices

With the recent installation of three additional devices at the Pierce Manufacturing facility in Appleton, WI, USA, Fastenal's industrial vending program hit a major milestone: 100,000-plus active devices driving results at customer sites worldwide. Fastenal's 100,000 active devices can be measured in a variety of ways: by height of about 120 miles if stacked, by geography they're currently installed at over 20,000 customer sites spanning 25 countries, by the number of roughly 17,000 vended transactions per hour) and by total vended sales of US\$927 million in 2018 with a pace to surpass US\$1 billion this year – a revenue milestone that took 37 years for Fastenal to achieve.



Motor City Industrial Acquires Quality Fastener and Supply Co.

Motor City Industrial, LLC, Hazel Park, MI, USA, has announced the acquisition of Quality Fastener and Supply Co., Oxford, MI, USA. This represents the third acquisition by Motor City Industrial and further expands product and service offerings available to customers from diversified sectors and geographies. Quality Fastener and Supply Co. is a distributor of industrial consumables and ancillary. Founded in 1982, Quality Fastener offers supply chain solutions for over 15,000 SKUs, serving a mix of blue-chip customers and local businesses through vendor managed inventory programs and maintaining an inventory of mission-critical components for just-in-time delivery. "We are excited to have the Quality Fastener team join Motor City Industrial and look forward to our future together" Joe Stephens, CEO of Motor City Industrial added, "Jim Hiatt and John Shepard have built a tremendous company and we are thankful they have trusted us to continue this legacy." Motor City Industrial is a value-added distributor of fasteners and related consumable industrial products. ■

Kevin Menke Honored with Top Annual Award from ASTM International Fastener Committee

ASTM International's committee on fasteners (F16) presented its top annual award – the Award of Merit – to Kevin Menke, director of engineering, Fastenal, in Winona, Minnesota, USA. The prestigious award, is ASTM's highest recognition for individual contributions to developing standards. The committee honored Menke for meritorious and dedicated service to the committee and in recognition of his strong commitment to ASTM International standards development, his respected technical expertise, exemplary professionalism, and tireless efforts towards consensus building. An ASTM International member since 2005.

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