

1974 - SMALL ENGINE SHORTAGE

Article submitted
by Dick Jones
from Adams Equipment Co.

"It's for real," says Lawrence H. Blanchette, The Toro Co.'s vice president in charge of manufacturing services. "Engine delivery is four to five weeks behind schedule and steel is on allocation from all mills and warehouses."

In early November, manufacturers of outdoor power equipment were bubbling over about 1974 sales prospects. All were certain of meeting commitments pretty much on time.

Three weeks and two presidential energy messages later, hesitation was beginning to set in.

The basic problem is demand. You could almost say that the economy did too well in 1973. "Inventory — what's that?" exclaimed one mower company executive.

The story is the same everywhere. Stocks throughout the industry are depleted.

Engine company executives are reluctant to discuss the supply situation. One engine manufacturer reported it couldn't keep inventory on the shelves and wasn't looking for any new business right now. Others, if they had any comment at all, acknowledged that delivery time had been delayed somewhat.

Shortage at basics

Steel — the basic element of all engines, appears to be one of the culprits. Steel is in short supply on a world-wide basis. "Comestic steel mills are flat out, and they still can't keep up with demand," said a spokesman for the steel industry in mid-November.

At that time, only Japan and West Germany had steel to export, and they weren't exporting to the U.S.

Germany had Common Market commitments. The stories on Japan varied. Some observers said Japanese steel could command higher prices elsewhere in a steel hungry world. Others said Japan would not export steel to the U.S. because Japanese were still annoyed at earlier U.S. embargoes on other products.

Steel mills and warehouses were allocating 90% of 1973 steel to their customers. But, power mower companies said, steel was available. "You can get anything if you're willing to pay for it. And you do pay dearly," said one spokesman.

Rumors floated about domestic companies "exporting" steel to Canada where it could be sold at higher prices since no price guidelines existed for exports. The Canadians, the story went, then sold steel back to the U.S. at still higher prices.

Industry observers acknowledged that some of this activity existed, but no one had tallies on just how much.

Steel shortages created special problems for the power equipment business. In times when there is a high demand for more profitable products, steel companies stop making specialty items. One of the specialty items which suffered a production cutback is blade steel for mowers.

Not just steel

Other shortages which affected the industry were also appearing. Aluminum was short due to a hydro-electric

shortage in the Northwest. That, however, is expected to ease this winter.

But prices on aluminum were low, said companies. Manufacturers had actually been joined by their customers in requesting price hikes. Customers of aluminum reasoned that if the product was more profitable, companies would make more of it.

To make matters worse, exports of aluminum scrap rose during the period, since export prices were higher than domestic.

Aluminum, too, was being "sold" abroad and repurchased by U.S. companies. But, like steel, never left the country.

Additional shortages appeared in zinc, copper, paper board, plastic and, of course, fuel.

The fuel shortage hit hard and fast — harder and faster than most expected.

Some mower manufacturers had been predicting a slowdown of the economy some time in mid-1974. The slowdown, however, was accelerated by the fuel shortage.

General Motors announced cutbacks of 79,000 mid-sized cars in November. Overall auto sales were down and inventories were up.

Supply boost

Theoretically, this should have helped the outdoor power equipment business. Auto companies are big steel customers. Moreover, they were faithful customers of domestic mills even when other industries were purchasing foreign steel. As a result, they were probably getting first choice of domestic steel.

So, mower manufacturers reasoned, a slowdown in the auto industry would free steel for use elsewhere in the economy — namely small equipment engines.

But the steel companies, like everyone else, were hit by the fuel shortage. Back in November, one company feared it might have to cut production 10% due to lack of fuel.

Steel companies had switched to fuel oil use last year when natural gas they had been using was in short supply. This year, however, that switch did not help.

Steel executives have warned that if steel's consumption of oil were cut 10%, the result would be a decline of 4-million tons of steel and the loss of 20,000 jobs.

Furthermore, spokesmen pointed out, cutbacks in steel would mean more shortages, and, therefore, cutbacks in every industry that used steel.

However, in times when home heating fuel is being cut back and consumers already suspect a "conspiracy" by industry to profit from the shortage, allowing one industry to remain untouched by the crisis would not seem wise.

So, the decline in auto production, unless it becomes much more pronounced, will not mean an abundance of steel for power equipment.

Slowdown in status quo

Power equipment manufacturers too will have to obey fuel allocation orders, as will engine manufacturers and every industry in the nation.

So, theoretically, status quo will prevail — but at a slower pace.

Already delayed deliveries will be pushed back still farther. No more — but no less — steel will be available as a percent to the mower or engine manufacturing industries. So production will not surge forward. If anything it will go slower. And this will probably be a world-wide trend for business.

What does all this mean for the garden/lawn industry? There are a number of possibilities. The least likely is a power mower shortage. Manufacturers will probably be able to meet commitments — eventually. Distributors may help out by canceling some orders.

The economy is heading for a slowdown, possibly a minor recession but most likely not a bad one. However, consumer spending will tighten from concern about the fuel shortage. There will be continuing inflation and an increase in unemployment, though experts disagree on how much.

By GAIL EMERSON

January 1974

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