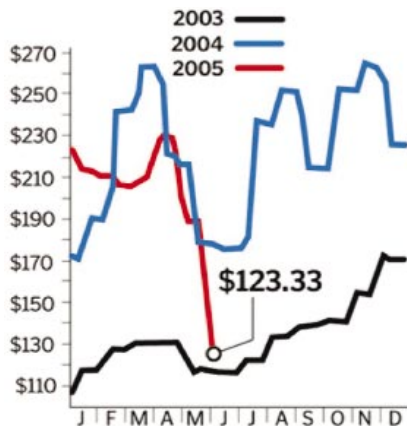


TOP OF THE HEAP

Steel scrap price composite

Price per gross ton, weekly



Based on No. 1 heavy melting steel at Pittsburgh, Chicago and Philadelphia

Source: American Metal Market

The Kansas City Star

Firm that started small now savors lofty status in scrap metal field

RANDOLPH HEASTER

On a gray and misty morning, the main yard at Galamba Metals Group resembled a scene from the post-apocalyptic movie "Mad Max." Broken cars piled high atop one another were slowly picked up and ground through a massive shredder, emerging about 45 seconds later the size of a fist.



Photos by JILL TOYOSHIBA/The Kansas City Star

Finished aluminum product provided a firm foundation for Galamba Metals Group's founder and chairman, Richard Galamba (left), and chief executive officer Raynard Brown.

"This is the final, end-of-life process" for cars, appliances and other metal-based products, said Raynard Brown, chief executive officer of Galamba Metals.

Those goods become scrap metal that will be recycled by a steel mill, foundry or smelter, and eventually be turned into another product. When manufacturers use recycled metal, it means less iron ore has to be mined.

"Everything we consume goes back into products that are used again," said Richard Galamba, chairman and founder of the company. "I believe we're providing a service for the community and the state."

Since starting as a small company in 1977, Galamba Metals has evolved into one of the most prominent scrap companies in the region. It recently was named one of the country's 20 biggest companies in ferrous scrap processing, the recycling of steel and iron, by *Recycling Today*, an industry publication. The magazine reported that the company was close to entering

the top 20 for nonferrous scrap processing, the recycling of metal not containing iron, such as aluminum and copper.

Galamba Metals shipped about 550,000 tons of steel last year on the ferrous side, Brown said.

"Last year was an all-time high, well in excess of anything previously," he said. "Everything you want to measure in the future will probably be against that number."

Last year was a watershed year for the scrap industry. With the U.S. economy reheating and China burgeoning and demanding more steel, prices went into orbit. Scrap steel, which was being sold for \$120 per gross ton in the spring of 2003, more than doubled 12 months later.

Brown said the items that pass through the company's operations can come from individuals getting rid of things, peddlers who make a living collecting the disposable items of others, salvage yards, tow yards, and tow-truck companies. The company has extended its hours in the summer so individuals can bring in items after work.

Prices have fallen, but they remain about the same as during most of 2003. Galamba Metals does not release revenue figures in an industry that is mainly composed of privately held family businesses. But the company's operations have been particularly busy since the industry began to recover two years ago.

In addition to its shredding plant and headquarters at 3005 Manchester Trafficway, Galamba Metals has two operations in Kansas City, Kan. It also has scrap facilities throughout Missouri, Kansas and Arkansas.

The enterprise began when Galamba broke away from his family's aluminum smelting business, S-G Metal Industries Inc., in 1977. He began Galamet Inc. at its current location in the Blue Valley industrial district.

"I had an opportunity to go out on my own, and I took it," Galamba said.

Galamba bought the original company site from Skip Sleyster, Blue Valley real estate investor and operator of his own salvage yard.

It was a modest beginning.

"We started out as a mom-and-pop operation," Galamba said. "We were lucky to be putting out 3,000 tons a month. This year, we're averaging about 47,000 tons a month in shipments."

Sleyster said he continued to do business with Galamba Metals, citing the company as the dominant player in the scrap-metal industry.

"They're the big ones now," he said.

Under Galamba's stewardship, Galamba Metals grew by actively acquiring other operations and entering into joint ventures, including with Galamba's former company, S-G Metal. After a series of joint ventures were undertaken and later terminated, Galamba Metals ended up with National Compressed Steel Corp. and Kaw River Shredding Inc., its second shredding plant, both in Kansas City, Kan. The company acquired all the assets of S-G Metal in 1995.

Despite being based in Missouri, Galamba Metals has more area employees at its Kansas locations - about 210 - than at its headquarters, where 80 are employed. When accounting for its feeder yards in the region, Galamba Metals has more than 400 employees.

At one time, GST Steel Co. was by far the biggest customer of scrap from Galamba Metals, but its shutdown in 2001 forced the company to adapt. Early in the decade, steel companies were closing all over the country, and new steel and scrap prices tanked.

After joining the company as chief financial officer in 1995, Brown became chief executive in 2001, around the time of the GST shutdown.

It was then that the company embarked on a new strategy. Galamba Metals began buying regional scrap yards from small-business owners who could not make profits crushing and hauling their own material during the downturn. Galamba Metals also developed its own transportation system to get the scrap from these outlying yards to its shredders and other equipment in this area.

"It was a strategy of vertical integration," Brown said. "We wanted to ensure inflow of materials to our Kansas City yards."

The strategy began during a down

At Galamba Metals in Kansas City, a car is moved to a pile of vehicles to be shredded.



cycle, but it paid off significantly in 2003 and 2004, when rising prices ensured that individual peddlers would be providing scrap for Galamba Metals to buy.

"We had to change our way of doing business" with GST's closing, Brown said. "Without the convenience of a big customer, it forced us to adapt. We're a stronger company today because of it."

That acquisition strategy has continued. Since January 2004, Galamba Metals has bought four feeder yards, including one in Sulphur Springs, Ark. In all, the company has nine scrap feeder yards in the region.

It is a strategy that includes some of the same marketing methods found in the most white collar of businesses.

Galamba's daughter, Marienne Galamba-Brown, joined the company 18 years ago and is vice president of marketing and industrial relations. The company runs an annual golf tournament that Galamba-Brown helps organize, bringing in steel mill executives, vendors and other customers from across the country.

"It's a customer-appreciation event and gives everybody a chance to see our operations," she said.

Galamba Metals' growth in recent years has been noticed by local industry players.

"They have a business plan and a vision, and they're following through on it," said Jeffrey Mallin, president of Mallin Bros. Co. Inc., a Kansas City recycler of nonferrous metals. "Our family's been in this business for 77 years, and we've known Dick Galamba

for a long time. We compete a little bit, but they have their niche and we have ours."

Prices for new and scrap steel have been dropping sharply the past two months. Brown blamed the slowdown in the automotive industry, a sluggish export market and excess inventory among steel distributors.

Nevertheless, by historical standards, prices remain strong.

"When steel prices drop, we see a reduction in the inflow of material," Brown said.

"There's a point where it has to be worth people's time to bring their scrap here. I think everybody got a little spoiled by what happened in 2004. I think we'll start seeing a little more stability as the year goes on."

Galamba Metals sets the price it pays for its metals on a monthly basis, and the volatility in steel prices the past 18 months has made rate-setting difficult.

"We've been on both sides of that, when prices go up and when prices go down," Brown said. "You just have to know it averages out over the long haul."

Among the peddlers who bring in discarded consumer goods Galamba Metals recycles, the firm's reputation is solid.

"I think Galamba's got an honest scale," Sleyster said. "All the guys that sell steel brag about the weight they get there."

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