

Upstate Shredding to grow 29 percent in 2013

11 hours ago by *Rick Seltzer*

OWEGO — Upstate Shredding, LLC., the largest, privately owned scrap dealer on the East Coast, is projecting it will continue its fast-growing ways this year with nearly 30 percent revenue growth.

One of the drivers of that growth will be the company's recent move in Albany. Upstate Shredding, headquartered at 299 Corporate Drive in Owego, has inked a 20-year deal with the Port of Albany to build a shipping facility to handle its growing volume and to bypass paying an exporter.



The parties signed the agreement on Dec. 7, committing Upstate Shredding to lease 18 acres at \$22,500 a month, plus estimated tonnage fees of \$70,000 a year. The company's owner, Adam Weitsman, estimates that the 20-year deal will cost his firm nearly \$7 million. Upstate Shredding also expects to invest \$15 million to build a shipping facility, which will employ 40.

“The new facility will allow the company to load 30,000-ton freighters at Albany with scrap for export, which currently represents 50 percent of our sales. The Albany export terminal will also be fed by two rail lines to serve domestic customers and to [function] as a full-service scrap business,” Weitsman says.

On Sept. 27, Upstate Shredding announced the hiring of John Silva, a 20-year, marine-scrap veteran, as vice-president for port operations. Silva will assume his duties in Albany when the facility opens in mid-2013. “Silva began his career at Naporano Iron & Metal at Port Newark where he was a quality inspector and foreman for stevedoring operations. He later was promoted to port-terminal marine supervisor and finally to terminal manager of ports in New York, New Jersey, Virginia, Connecticut, and Pennsylvania. Silva is currently working in Buffalo to help Upstate open a new scrap yard [to generate more business from Canada]”, according to a press release issued by Upstate.

Upstate Shredding currently has 11 locations: Owego (two sites), Binghamton, Ithaca (This location is a steel-processing center), Syracuse, Liberty, Jamestown, Rochester, Buffalo (Weitsman is expecting zoning-board approval of the site by the end of January), Albany, and Scranton. Weitsman is currently finalizing a deal to buy a scrap dealer in Newcastle, Pa., which would make 12 locations in 2013. Newcastle is about an hour east of Cleveland and 1.5 hours north of Pittsburgh. He also has targeted Watertown as a future site to open up more access to Canada. The company operates on more than 100 acres in total.

“Upstate now employs 300, but expects to grow to 400 in 2013,” according to Weitsman. “Sales at year-end [2012] should top \$550 million, and with the addition of Albany and Buffalo in 2013 we should have revenue of \$710 million,” he said, before the New Year. “Ferrous tonnage in 2013 should be 1.1 million tons and non-ferrous [projections] are 200 million pounds,” he adds.

Upstate Shredding represents the wholesale side of the metal-recycling business. The company receives a constant stream of old cars, appliances, radiators, motor blocks, and other metals ready for scrap and shreds them in mega-industrial shredders. It then separates the pulverized material and sells it to industrial plants

and manufacturers for re-processing.

Ben Weitsman & Son, Inc., a series of sister companies, represents the retail side of the business collecting scrap metal both from industrial and residential customers. The recycling centers feed the current mega-shredder located in Owego. Weitsman expects to install a second shredder this year, either in Albany or Newcastle. Because of the high cost of freight, the shredders typically draw scrap from a maximum 120-mile radius.

Weitsman says that "... all of our properties and equipment are owned except for ground leases in Albany and Scranton."

Ben Weitsman, Adam's grandfather, founded the business in 1938, but growth has been explosive since Adam created Upstate Shredding in 1996. "The first year, we generated \$1 million in sales ... Our growth has been funded largely from cash flow; there is no long-term debt on the balance sheet ... Upstate maintains a banking relationship with M&T Bank to make inventory purchases and with First Niagara for short-term loans to take advantage of deals on machinery. Our business is capital intensive; just in the last two years we have committed more than \$50 million in capital improvements," Weitsman explains.

Weitsman adds that his "... plan calls for growth in a down market when prices for land, corporate acquisitions, and machinery are typically low. This accounts for the expansion just since 2009, when annual revenues were at \$300 million ... Some of the growth is organic and some through acquisitions ... The U.S. recycling market is still highly fragmented with hundreds of small players owned by family businesses." Weitsman is focused on becoming a major industry player by dominating a geographical region. "To survive, Upstate Shredding must grow," he says.

Weitsman's strategy has also been fueled by the fact that metal supplies are unusually tight in a slow economy, while emerging markets are simultaneously driving up demand. The imbalance of supply and demand has driven up profits for scrap-metal recycling companies in the U.S., which is the world's largest scrap exporter. Recycled metal is cheaper than mining and producing virgin products, which require 60 percent more energy to produce.

Upstate Shredding's investments come with no tax abatements, credits, or grants from any government agency, according to Weitsman. Company policy is neither to ask for nor accept any monetary incentives.

Upstate Shredding owns a large fleet of trucks, trailers, and containers. The company inventory includes 70 trailers, 40 tractors, and 1,400 roll-off containers in six different sizes. Cook Brothers Truck Parts of Binghamton and Tracey Road Equipment of DeWitt sell and service most of the fleet.

"Upstate's secret," Weitsman says, "is to be the low-cost most efficient producer and to offer excellent customer service, the highest prices for scrap, and immediate payment for product ... We want to react quickly, like a small company."

Upstate's competitors include two large, publicly traded companies — Sims Metal Management, Ltd. (NYSE: SMS) and Metalico, Inc. (NYSE: MEA). The stock prices of Sims and Metalico fell 23 percent and 40 percent, respectively, in 2012. Privately held European Metal Recycling Ltd. (EMR) is another competitor.

"All seem to be struggling," says Weitsman, "which makes this a good time to be [aggressive]."

Weitsman prides himself on buying any scrap metals. This reporter asked him what he would pay for the

Eiffel Tower. He thought for a moment about its value as iron and then, with a smile, declined to put a price on it.

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