

Interview with scrap 'maverick' Adam Weitsman

Mar 25, 2013 | 07:00 PM | Lisa Gordon

This article with the headline 'Scrap's maverick' is featured in the March/April issue of American Metal Market Magazine, which will reach subscribers in early April.

Just as every good movie needs an element of tension, the scrap industry has found its own leading man to supply drama and controversy: a fine arts major who hails from a small town in New York that has fewer residents than the number of employees on some of his competitors' payrolls.



So how does a guy who owned a successful gallery in the Manhattan art scene manage to succeed in a cutthroat environment, take on the big boys and shake up the scrap market from the Mississippi River all the way to the East Coast? For Adam Weitsman, owner of Owego, N.Y.-based Upstate Shredding LLC-Ben Weitsman & Son Inc., it has been a rocky road.

Weitsman's proponents call him a renegade, maverick industrialist, while those who don't care for him have less-kind things to say. But competitors' claims that the 44-year-old buys too high, sells too low and disrupts the market--and call his growing empire-in-the-making nothing more than "smoke and mirrors," a house of cards doomed to implode--don't bother him one bit.

Weitsman has earned the respect of those on the other side. I. Michael Coslov, retired chairman and chief executive officer of Tube City IMS LLC and TMS International Corp., called him "terrific" and "one of the best innovators of today."

Both cheers from his fans and jeers from his critics serve as the fuel that makes him want to fight harder. "I didn't get into this industry to get invited to golf outings," Weitsman said. "If my competition was friendly to me, then I am not doing my job."

Weitsman followed his father's footsteps into the scrap market in a roundabout way. After graduating from college, he was running a small art gallery in New York City when his sister, Becky, became terminally ill

with cancer. Weitsman packed up and returned home to help his father run the family scrapyards, which focused on the peddler trade.

"I didn't know anything, and the learning curve was really tough," he said. He learned a lot of lessons--including how bigger yards can bully the little guys.

"My father was getting pushed around by a shredder in Pennsylvania because we were small," he said. "There was a little auto parts store down the street and my dad would sell those cars to the shredder. The shredder, who he was selling the material to, came in and took the account right from under him. The bigger guys were pounding us from all sides. I wouldn't take away business from someone who is shipping to me. I would take it away from someone who *wasn't* shipping to me."

He became attracted to the wholesale side of the business, starting his own yard with the help of a job-creation grant and entering the shredding arena.

He admits that the work ethic that has brought him success is a learned trait. "When I was young, I made a lot of mistakes and I went to jail." In 2004, Weitsman pleaded guilty to felony bank fraud. Before sentencing, both banks involved in his check kiting wrote letters to the judge saying they had not lost money and asked that Weitsman not serve prison time because it would hurt his business and the local economy, but Weitsman nevertheless was sentenced to a year and a day in federal prison--he served eight months--and fined \$1 million.

"That time stripped away my ego and made me more mature and focused," he said. "I was younger and into speculating. I learned the hard way, and now make sure I run one of the most conservative scrap companies out there."

His wife, Kimberly, gave him solid advice when she told him he needed to repay the debts he accrued during that dark period in his life. "I probably should have gone bankrupt, but she said, 'If you don't pay, they will remember it your whole life.' So I paid and hand-delivered checks," he said.

History of Upstate Shredding LLC-Ben Weitsman & Sons Inc.	
1939	Upstate's sister company Ben Weitsman & Son Inc. founded
1996	Upstate Shredding opens on 17-acre site at the Tioga County Industrial Park in Owego, N.Y.
2007	Upstate purchases an adjacent 4.67-acre property from Tioga County in Owego, N.Y.
2009	Acquires the assets, land and equipment of Marlow Co. Inc. in Syracuse, N.Y.
2010	Acquires Weitsman Scrap Metal Corp. in Jamestown, N.Y.
2011	Acquires Gessner Scrap & Tye Baling Co. Inc. in Rochester, N.Y., and opens scrap metal facility in Scranton, Pa.
2012	Finalizes plans for new \$15-million port facility and retail expansion in Albany, N.Y., and purchases Pottsville in New Castle, Pa. as required by AMM using proceeds generated by Upstate Shredding LLC-Ben Weitsman & Sons
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Weitsman said one of the most painful decisions he made at the time was selling a buildup of 100,000 gross tons of inventory for \$75 per ton. The shredder wouldn't run because its manufacturer had filed for bankruptcy during installation.

Today, it's a different story. Upstate Shredding's assets include a megashredder in Owego and a port facility under construction in Albany, N.Y. Weitsman has grown the company from one location, which brought in \$1.5 million per year in revenue with the help of 10 employees, to more

than 10 locations--in Albany, Binghamton, Ithaca, Jamestown, Liberty, Owego, Rochester and Syracuse, all in New York, and in New Castle and Scranton in Pennsylvania--employing 400 that will post sales of \$750 million per year when the port facility is done. "It's ironic and kind of funny that I had more debt back then than I have now. I was overleveraged and undercapitalized," he said.

Aside from a penchant for exercise, Weitsman has no hobbies. He puts in a 90-hour week and survives on as little as three hours of sleep a night.

"This is an opportunity of a lifetime to go against the big boys, and I want to beat those guys. It is not just about the money. No one is asking me to join a foursome, and I don't like or want to socialize with my competition," he said. "I'm not looking to be Mr. Popular."

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Weitsman said his philosophy is all about attacking the competition. "My motto is to go after the other guy seven days a week, and I want them thinking about us when they are off. We are as aggressive on Saturday as we are on Tuesday, because we are a volume-based company," he said. "I don't mind irking people. I like to keep them unbalanced."

The Owego shredder operates 24/7, and all feeder yards are open seven days a week as a convenience to customers. "When you add up the hours, we are open basically three and a half times longer than they are," he said of his competition. "When you look at companies like the Sims, Schnitzers and

EMRs, I cannot out-finance them, I cannot outstaff them--and they do have some amazing people--so I have to outwork them."

Those who say his business is doomed for failure are just plain wrong, he said. "Back in the day, it was a house of cards and I failed. I can weather any storm now. The whole model here is setting us up for the rainy day. Before, I based everything on perfect-day scenarios, and we all know that never works out."

He said that publicly held companies are at a disadvantage to his own. "Employees there are merely a Social Security number, and when things go bad they just start cutting jobs," he said. "I'd sell my house and car before I had to lay off

anyone who helped make this company grow. How can employees have morale when the company is losing money, closing facilities and laying off people while the top guys take huge bonuses?"

Weitsman said he makes sure that customers and employees have direct access to him at all times. "We can react fast by keeping an open forum with employees that allows us to give customers the attention they want and need," he said.

Weitsman dismissed claims from those who say it is impossible to turn a profit when paying too much for feedstock and selling finished scrap into the market at prices lower than the competition. "I am working on a single-digit margin, don't speculate and make sure I turn over my inventory every month," he said. "Some say I pay too much for scrap, but I am happy. We have had 28 consecutive quarters with a profit. Being a single-digit-margin guy I will never have a home-run quarter, but will consistently hit singles and protect myself from that knockout blow.

"And companies that managed to lose a half-billion dollars last year have no right talking smack on me," he added, referring to one competitor's full-year loss.

It's not unusual for Weitsman to enter the market before everyone else, then sell at down numbers compared to the previous month. "I have heard the rumors (that) it is because of cash-flow problems, but if I sell into Ohio under the market it is not because of cash flow--it is part of my strategy to bring down the price in that market," he said. "I know what mill demand is, and if there is no demand, of course I am going to get out there and put a carrot in front of the mills. I am a realist." He dismissed claims that he disrupts the market by entering early. "One seller is not going to make the market."

He also rejected claims that he sought to set up shop in Buffalo purely to rile one of his competitors. "I searched my lists by area code and realized we were not getting any scrap from there. I am not going to enter a market where we have a good supplier base. I go in where we are not getting scrap," he said. "Wherever we go, we push someone off."

Upstate has been known to play in the domestic and export arenas to maintain a steady outlet for all its tons every month. But ever since the company announced in December it was taking space in the Port of Albany to bypass traditional exporters and become a direct shipper, his export avenue has dried up--for the moment. "I have been blackballed by the exporters but still have been able to sell all my scrap. And demand hasn't got so low where you can't sell. If domestic demand weakened, that would be unpleasant until I get my port facility up and running," he said.

Weitsman is fully aware that the major exporters have deep pockets, so he doesn't even consider setting up a shredder next door to one of those major players. "I am not going to fight someone like Sims Metal Management (Ltd.) and build a shredder in Newark. Instead, I attack their suppliers," he said.

He sets up shop near the feeder yards that supply exporters or other shredders, then takes them on by paying more for scrap and being open every day of the week. "I am constantly hammering against yards that are supporting our competition. I am trying to choke their supply and make them pay more for what they are getting," he said. In doing so, Weitsman said he is able to whittle away at his competitors' balance sheets as well as steal tons from other shredders.

As for assertions that his scrap has quality issues, Weitsman acknowledged that once was true. "Way back in the day, it was crappy and an export grade. I was putting more tons through a smaller shredder, which made it dirtier and high in copper," he said. But a couple of years ago he installed the megashredder and a new downstream system, as well as investing in a wire recovery unit and wire chopping plant.

His newest target area is Ohio, having recently purchased in a bankruptcy auction the assets of Ferromet Corp. across the border in New Castle, Pa. "I will put in our template yard, get our feet wet and see if it makes sense to put a shredder there," he said. He also plans to market hard to mills in Ohio. "There are operators there right outside the mills who could bring them to their feet. I am now telling these same mills, 'You don't have to buy local anymore.'"

Weitsman said he loves the industry because it is truly a free market that no one can predict or control. But growth does have its setbacks. "I have been known to micromanage too much, and as the company grows it is harder to manage. I have had to bring in people--especially on the accounting end--because I am a production guy," he said.

Adding executive positions at Upstate has not slowed Weitsman down. "I am not in the relax mode. I want my wife and daughter to see that Dad goes to work and works hard every day," he said.

Looking down the road, Weitsman expects bigger companies to start shedding nonperforming assets. “Many shredders are having very hard times, and we plan to be even more aggressive in 2013, fighting our competition,” he said.

Weitsman credits part of his success to recognizing his weaknesses and delegating certain tasks to more capable hands. “The key is that I am an average operator and surround myself with the best people in the industry,” he said.

As for poaching talent from other companies, Weitsman said some employees were only too happy to leave public companies and work for him. But his operation isn't for everyone. “Some have come and worked out great, and some didn't work out at all. This is a fast-paced environment filled with a self-motivated group. I can teach about scrap but I can't teach passion, and some just didn't have that spark I want and require.

“You are basically building an army, and I want fighters and not passive people. Not only do I want good, talented employees, I want them to have the fire underneath them and the desire to make money,” he said. “This is not a place for the faint of heart to work, because there is no hiding and being off the radar.”

His core group is known to be texting and communicating at 1:30 a.m., when the rest of the world is at rest. “Last night, one of my guys stole a competitor's customer, and we were all mass-texting and thriving on the coup at 1 a.m.,” he said.

Weitsman said his competitors don't like him because he makes them work harder. “If they can't compete against a company with its headquarters in a town of 4,000 that is run by a fine arts major, they should be worried,” he said.

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