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Watching for scrap's signals

Industry's pulse could be early indicator of economic turnaround

By Joe Truini

Forget Wall Street analysts and cable news talking heads. If you want to know when the nation starts pulling out of the recession, maybe you should ask your local scrap guy.

"The economy is very cyclic, especially in the steel recycling business," said Kevin Gershowitz, president of Gershow Recycling Corp. "When people begin to buy new cars and new durable goods and local contractors start to get busier when more people decide to purchase or do work on their

homes and businesses, then we will be among the first to see the economy recovering."

A jump in metal recycling can point to market movement and improvement, but there also are larger indicators one could look at to try to determine whether the economy is picking up, said Bob Garino, director of commodities for the Institute of Scrap Recycling Industries.

"There is some element of truth to that but, generally speaking, we look at scrap as not

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CRUNCHING NUMBERS: An old New York City bus is getting ready to be put in a shredder at the Gershow Recycling scrap yard in Medford, N.Y. A jump in metal recycling can point to market movement and improvement.

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a leading indicator, but more of a lagging indicator," he said.

Steel mills, foundries, smelters and the manufacturing component of industrial production can be a stronger indicator, Garino said. Such industries are metal intensive and consume more materials as the market improves and orders increase.

"Maybe we look at the bigger pic-

ture differently," he said. "So we look at that as opposed to what may be going on locally at a scrap yard in terms of incoming material."

Gershow primarily deals in obsolete consumer durable goods — cars, appliances, containers and other items made of metal.

"Bottom line, if the car manufacturers aren't selling new cars, then we're really not going to get old ones. If they're not selling old washing machines and dryers, we're not going to get the old ones," Gershowitz said.

There are signs that the free-fall in scrap metal prices, along with the economy, has leveled off,

he said. Scrap metal prices are still low, which is squeezing profit margins, and it continues to be tough to procure enough volume to cover fixed costs, he said.

"Business conditions for many may still be quite difficult because of the necessity of volume and the overall pricing level," Gershowitz said. "But the free-fall, I think we can say, we're confident that we have some level of stabilization on the supply and demand side."

Gershowitz has seen an increase in scrap material in April, compared with January, February and March. That could be re-

lated to the leveling off of the economy or the fact that spring traditionally means higher volumes of available scrap material.

"I think it's a combination of both," he said. "Stuff will break, products and goods will flow, things will continue to move on."

Gershow has avoided laying off workers, most of whom have been with the company for many years, he said. It may not be the best decision for the short term, but will benefit the company in the long run.

"From a long-term decision of maintaining the skilled workforce that we have, maintaining a

loyal workforce, keeping them here and having them ready and able to move forward if and when things change, I think it's a good decision," Gershowitz said.

"The company kept itself in a relatively good position by reinvesting in its facilities when scrap markets were hot and not overextending itself, which made it better prepared, as much as it could be, to withstand the recession, he said.

"This is not a cow that we milk," Gershowitz said. ■

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