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**Raynard Brown brings renewed vision to Richard Galamba's Galamba Metals group.**

Letting go of the operational leadership reins can be a very difficult thing for any business founder to do, whether in the scrap recycling business or in other fields. In theory, the task should have been difficult for Richard Galamba, who founded the company in 1977 that would become Galamba Metals Group LLC.

But Richard says relinquishing control was easier because of the faith he had in succeeding CEO Raynard Brown and the team that Brown assembled. "Once you're involved in this business, it's hard to get out of it," says Richard. "But I had confidence in the management team and let them take the ball and run with it."

That team has subsequently run for a great deal of positive yardage, adding services and additional locations to become a considerable scrap recycling power in western Missouri, eastern Kansas and surrounding regions.

**PASSING THE REINS.** Richard Galamba has a metals industry background that precedes the creation of his own company nearly three decades ago. "I was involved in a family metals recycling and smelting business called SG Metals and left that one to start my own company in 1977," he says.

He centered his new company around a metals shredding plant in eastern Kansas City, Mo., on the site that still serves as one of the company's highest production facilities and also its corporate headquarters.

"We started off lucky to produce 2,000 to 3,000 tons per month," Richard recalls. From those modest beginnings, though, Richard and his management team (which has almost from the start included his daughter Marianne Galamba-Brown) began adding capacity at its original site as well as adding locations through acquisition.

"We bought one yard and its container service first and then acquired a shredding plant across the river in Kansas, where we had the same joint venture as the shredder in Missouri with Luria Brothers [later acquired by Philip Services]," Richard says of the company's growth moves.

Richard's company also acquired National Compressed Steel, which, Richard notes, had been 50 percent owned by his former employer, SG Metals.

"Then we just kept growing from there, partly because our need for scrap was so great that we had to start putting our feeder yards in," he says.

## **AT A GLANCE: GALAMBA METALS GROUP**

**PRINCIPALS:** Richard Galamba, Chairman and founder (second from left); Raynard Brown, President and CEO (far left); Marianne Galamba-Brown, Director of Marketing & Industry Relations; John Rakos, COO; John Morgan, Director of Nonferrous Sales

**LOCATIONS:** Office and shredding plant in Kansas City, Mo.; shear and baler yard, additional shredding plant in Kansas City, Kan.; eight additional scrap facilities in Missouri, Kansas and Arkansas; 13 mobile processing operations

**NUMBER OF EMPLOYEES:** 410 at all locations combined

**PROCESSING EQUIPMENT:** Includes a 2,500 Texas Shredder shredding plant and a 6,000 hp shredding plant based on Proler design; eddy current downstream systems; Harris balers

Amidst the growth has been the type of seamless leadership transition that many company founders never get to see. "We got to know Raynard Brown through our relationship with him at our outside accounting firm," says Richard. "We hired him as our CFO, and then he took on added duties as our chief operating officer and was able to wear both hats."

Raynard's performance proved worthy of Richard's trust. "He then became our president and CEO and has done a remarkable job putting people together to form a young team that is really growing," says Richard. "Raynard has been running the show for about the last four years and has done a great job."

**FOCUS ON GENERATION.** Although Galamba Metals Group enjoys a healthy position within its regional market, Richard and Raynard agree that achieving that success has also meant overcoming challenges.

On the consumer side, Galamba Metals Group has had to overcome the idling of the only large local ferrous scrap consumer, the former GST Steel mill in Kansas City, Mo. The loss of the GST mill—even more than the loss of other local foundries and smelters—has entailed some re-thinking of outbound shipping patterns.

Fortunately, the global demand for scrap metal has allowed the company to overcome any declines in domestic melting capacity.

It is the other side of the equation, ensuring the purchase of adequate scrap supplies, that has often been the focal point of Galamba Metals Group strategy. "We have a lot of very good processing capability, so we need to buy the material to feed it," says Raynard.

In the Kansas City region, only a small percentage of that material will come from industrial scrap. "There are only four or five major industrial accounts in all of Kansas City," Raynard comments. "The majority of our scrap comes from the obsolete market. Having two shredders and a large shear lets us handle a lot of the obsolete scrap we tend to focus on."

Before the obsolete scrap can be processed, it must be acquired, though, which is why Galamba Metals Group now has eight regional feeder yards and 13 mobile car crushing and baling crews that can operate at generator sites.

The portable crushing crews (some are two-person crews, while one opera-

## SERVING THE MARKET

Scrap collected by mobile crews or by the Galamba feeder yards located outside the Kansas City metro area is almost always shipped back to one of the major Kansas City yards. "It helps ensure the quality of our outbound scrap," says Raynard.

"With the distance we have to ship material, we really drive into our production personnel that we must ship a material that will meet or exceed consumer expectations," Raynard comments. "We can't afford the cost of rejected shipments. Plus, with the options mills have, we want to be their first choice because of our quality."

The scrutiny paid to scrap received by consumers can help well-managed scrap companies in the competitive arena, Raynard believes. "As our consumers become a little more sophisticated, that bodes well for the professionally managed recycling companies. I consider ourselves well positioned to deal with the industry issues that are approaching."

Some of those issues are also being spurred by government activity, Raynard says. "ISRI (the Institute of Scrap Recycling Industries Inc.) does a good job keeping us abreast of what we have to come to grips with as an industry," says Raynard of ISRI's attention to government affairs.



tor can work alone in other cases) primarily service auto salvage yards, using either car crushers made by Al-jon or Mac Corp. Four of the crews, however, are now equipped with car loggers made by Al-jon, and these crews may be able to handle a wider variety of offsite collection tasks.

Raynard says the company always follows up with its customers to make sure the crews have performed up to expectations. "The crews know that if they get bad ratings or negative feedback, we will not look favorably on that. It is very important to our salvage yard customers that we crush everything that is expected and then clean up after ourselves," he says.

The service and follow-up have helped Galamba's scrap buyers establish good connections with auto hulk generators in the parts of Missouri, Kansas, Arkansas, Iowa and Oklahoma served by the company.

According to Raynard, the company has taken this portion of its business very seriously because it sees the collection of this obsolete scrap as a key to its future health.

"We decided to vertically integrate into the outlying yards where the facilities we acquired can produce a consistent supply of scrap," he says. "I don't

know that many other companies have done that to the extent that we have."

While the acquisition of auto hulks has been a primary objective of putting together the network of outlying yards, Galamba Metals Group Director of Nonferrous Purchasing Jeff Alters says the strategy has benefited the nonferrous side of the business as well. "The satellite operations have been a huge area of growth," Jeff says. "There has been great teamwork between the marketing group, the processing group, the transportation group and the administrative support staff to make it all work."

Jeff says that the scales at the outlying yards weigh a wide variety of nonferrous material each week. "There is a wide assortment of nonferrous materials, including a lot of aluminum, brass and stainless steel," he comments. "We service industrial accounts, but these locations also see a lot of peddler trade and demolition and contractor scrap."

Considering that to some extent this move was made to ensure a supply of scrap in times of low pricing, it has paid off even more during the boom times of the past couple of years. "These purchases were made as a reaction to the low pricing of a few years ago, when smaller companies couldn't crush and haul material at a cost that made sense. We had

to make sure we had a continuous feed of material," says Raynard. "It has been one of our better moves to do that, and it has been just as much of an advantage in these markets as in the low markets."

**ONE MONTH AT A TIME.** On the one hand, the management team at Galamba Metals Group can take credit for corporate planning that has put it into a position to thrive in the upbeat scrap market of recent months.

A team that is working together cooperatively will ultimately create a smooth experience for customers. Says Raynard: "Making sure that we have dependable equipment in place that stays running, having paved roadways, new scales and making the flow of traffic as smooth as possible—these are the kinds of things that can make it a pleasant experience for customers coming into our yards."

Both Richard and Raynard are hesitant to predict what types of adjustments will be necessary to remain competitive.

"A strategic plan in this business is one

month long," quips Raynard. "We'll try to remain opportunists. It's wise not to force anything, but if the right opportunity comes along, we will pursue it."

Scrap industry veteran Richard is quick to note that a company should not base too many decisions on the boom markets of 2004. "It was a year that was unbelievable in this industry," he says of 2004. "I don't think anyone thought they'd see prices and the boom that we have seen."

The boom market helped subsidize some operating upgrades, they note. "With a good year, we had to catch up from deferring investments when things were not so good," says Raynard. "Now you have to make some wise decisions on investments in future capabilities. There will be another slump like 2000-2001, where too many balers or shredders in place will mean too much excess capacity," he warns.

The decline in industrial scrap and the changing nature of obsolete scrap—with a declining metallics percentage often being supplanted by plastics and composites—must play a role in the company's invest-

ment decisions, says Raynard

Additional markets worth entering could also be the scrap paper or electronic scrap markets, says Raynard. "We have had those thoughts relative to processing paper or electronics, but with the way the metals business has been the last year-and-a-half, we have focused on taking advantage of that opportunity."

Although there are difficult decisions to be made, Richard Galamba is confident the second wave of leadership at Galamba Metals Group will make the right calls. "When they need me, I'm there, but most often they don't," he says. "As a team, they've built an organization that is a real model to follow. We enjoy what we're doing and we have fun doing it." **rt**

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