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Chip Gerber from MSP is doing his part to **keep manufacturing in the U.S.**

**LOCATION,
LOCATION,
LOCATION**



The benefits of PROXIMITY

With a strategic location, **Mississippi Steel Processing** reduces freight costs for clients

BY MEGHAN BOYER

Typically, the more a company has to move its coils, the more it has to pay. Coils purchased from a steelmaker may have to travel to a processor and then again to the company that bought them—with freight costs adding up for each leg of the journey.

SG Steel Services Co., Ft. Lauderdale, Fla., used to have to transport the coils it purchased from Severstal North America's Columbus, Miss., facility or from ThyssenKrupp Steel and Stainless USA, Calvert, Ala., extremely out of the way to a facility in northern Alabama for processing, says Sam Graffeo, owner of the service center. After processing, the company would send the coils south to its Florida facility, all of which amounted to SG Steel "just paying a lot of freight," he says.

When toll processor Mississippi Steel Processing LLC opened its facility on the Severstal Columbus campus, Graffeo saw an opportunity to reduce freight costs. "We chose to work with them because of their geographical location. They are right next to Severstal," he says. "It was a definite freight savings for us." Graffeo estimates SG Steel now saves roughly 8 percent on the material the company brings into Florida.

MSP began full production at its flat-rolled toll-processing operation in early April, eight months after breaking ground on the 135,000-square-foot facility. SG Steel, which has coil inventory in seven dif-

ferent processing facilities in the southeastern United States, has been working with the company for approximately six months, says Graffeo. "It was just a win-win for me so that I don't have all the freight added to my costs to get it down here," he says.

The cost savings SG Steel achieves by working with MSP is helping to create a competitive advantage for the service center, notes Graffeo. Additionally, "they have good equipment, the material comes out flat and that's all we can ask for," he says. "It was refreshing to see the reception they gave me and SG Steel, that they wanted our business and would work for it and help us out in any way they could—and they have. It's not just lip service."

Location, location, location

MSP stores and processes steel material from Severstal and other mills for its customers. The company's proximity to Severstal offers multiple benefits in addition to eliminating inbound freight, including an increased range of sizes the company can process and easy access to logistics services such as rail. Its present

equipment is capable of processing 90,000-pound coils up to 84 inches wide and 0.625 inches thick. Few companies can accept 90,000 pound coils because of the freight costs and restrictions associated with them, says Chip Gerber, president of MSP. "We have zero inbound freight costs involved," he says.

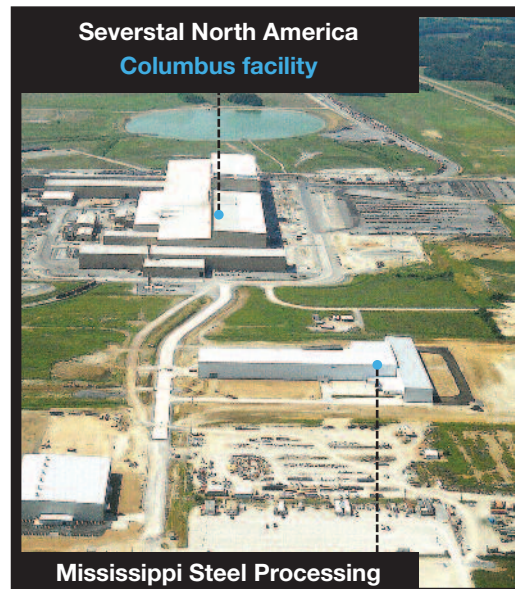
At its facility, MSP has 72,000 square feet of master coil storage, 55,800 square feet of processed materials storage and 7,200 square feet of office and customer meeting space. Its equipment includes a Bradbury e-Drive cut-to-length line, a Pro-Eco slitter and an Avon packaging line. The company intends to add a second slitting line in 2012, and it will have a rail spur at the facility in the future, as well.

Additional growth phases will add 153,000 square feet to MSP's facility, which will total roughly 290,000 square feet when everything is complete. Phase 2 will add 36,000 square feet of hot-rolled pickled-and-oiled storage space, phase 3 will add 72,000 square feet of master coil and processing space and phase 4 will add 45,000 square feet of finished goods and manufacturing space. "We really are in almost a continuous expansion mode," says Gerber, noting he envisions most of the expansion projects taking place within the next three years.

One element driving MSP's growth is the increase in output from Severstal,



Mississippi Steel Processing's 0.25-inch by 72-inch Pro-Eco slitter in operation.



Severstal North America
Columbus facility

Mississippi Steel Processing



The 72,000-square-foot master coil storage bay.



MSP's cut-to-length line operator adds part numbers to finished bundles prior to packaging and shipment.



A dual-hoist 40-foot overhead crane for sheet handling.

which is investing \$555 million to expand its Columbus facility and increase its production capacity to 3.4 million tons annually. The company is scheduled to begin expansion at the location in the third quarter of 2011.

"That is a big part of our growth," says Gerber. "Our schedule is really a function of the marketplace right now. We are basing these expansions on what people are asking us to do in today's environment. We would anticipate that it only gets better," he says. Once the company has two slitting lines operational in addition to its cut-to-length line, its production capacity will be roughly 30,000 tons per month, he estimates.

Circle of life

Ultimately, Gerber's vision is to create a manufacturing site that can take steel from the mill to completed component. "Right now, we have the mill that is producing steel. We are processing the steel and converting it into another form that a manufacturer can use. The next step is to actually have the manufacturer that makes the finished part," he says.

The manufacturer "will buy from a customer—they will buy from a service center or mill—and we'll do the cutting to length or slitting for them," says Gerber, noting MSP does not intend to gain revenue from the manufacturer that works in its facility. Any scrap generated in the fabrication

process goes directly back to the mill, and the manufacturer gets a higher value for that scrap because of the elimination of freight costs. Gerber hopes to have a manufacturer working at his facility in 2012.

Another aspect of MSP's approach is having an onsite trucking and logistics company available to customers. "It's the same scenario. We allow them to work out of our facility, and all we ask is that they have trucks available to our customers. They basically operate out of an office out of our facility. That's how we offer logistics services to our customers," says Gerber. "Our brochure [advertises] slitting, cut to length, storage, logistics and fabrication—the slitting, cut to length and storage is truly MSP. The logistics is a trucking company we allow to operate here, and the fabrication is an established fabricator we also allow to operate out of here."

MSP's business model is unique for the industry based on MSP not deriving revenue directly from the complementing services. Gerber hopes others pay attention to it. "Ultimately, I'm really not interested in this country's manufacturing capability going overseas. I'm doing my part to make sure it doesn't," he says. "The spirit of this is we want to be able to create a low-cost manufacturing location in the South."

To accomplish this requires experts in each specific field. "We don't profess to be experts in manufacturing or trucking or making steel. We do what we do best," says Gerber. In turn, the mill, trucking company and fabricator each handles its respective areas of expertise, "and we all operate next to each other," he says. "Freight is the big component. But we provide an arena for these guys to operate and be cost effective so they can offer the lowest trucking rates and the lowest manufacturing rates and fabrication charges anywhere," says Gerber. "We think it's going to be pretty successful." ■

“ULTIMATELY, I'M REALLY NOT INTERESTED IN THIS COUNTRY'S MANUFACTURING CAPABILITY GOING OVERSEAS.”

CHIP GERBER, MISSISSIPPI STEEL PROCESSING



A 0.06 inch to 0.625 inch by 84 inch Bradbury e-Drive cut-to-length line.

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