

FMP Converts Strategy to Stay Relevant



Down in the pit at FMP's Cleveland processing center (top), workers prepare to install new annealing furnaces (above), which will double the company's annealing capacity to 9,000 tons per month. (Photo courtesy Ferrous Metal Processing)



When the market changed, so did Cleveland-based Ferrous Metal Processing. Today, the toll processor offers cold-rolled conversion services and is expanding its annealing capacity.

For the first 17 years of its existence, Ferrous Metal Processing was a lot like the many other steel processors in Northeast Ohio. The Cleveland company, launched in 1983, offered traditional toll services such as slitting, leveling and pickling to the area's steel mills, service centers and OEMs.

But early in the last decade, FMP President Ed Gonzalez recognized that the area was changing. Once a bastion of steel production in North America, with two steel companies located inside the city limits and a sizable Republic operation in nearby Warren, the city on Lake Erie was quickly losing its place as a major steel hub. And Gonzalez knew much of the steel processing business was going to be lost with it.

Indeed, his crystal ball was correct. Today, the Warren facility is owned by Severstal, but has had a "for sale" sign outside its doors since late last year.

At a Glance

Ferrous Metal Processing

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Web site: www.ferrousmetalprocessing.com

Founded: 1983

Key Personnel: Ed Gonzalez, president

Facility Size: 350,000 square feet

Services: Toll cold-rolled conversion: hydrogen annealing, cold-rolling, temper rolling, pickling; toll hot-rolled processing: pickling, slitting, cut-to-length, leveling

Equipment: Ebner and LOI annealing furnaces; United/Bliss four-high combination reversing cold-rolling mill; push/pull pickling line; Herr-Voss heavy and light gauge levelers; Blaw-Knox UM leveling; custom engineered slitting.

While ArcelorMittal owns the production facilities inside the city limits, it has effectively shuttered the plant on Cleveland's west side and produces material on the east side "only when they can't keep up at their other facilities," Gonzalez says. In fact, during the downturn of 2009, no steel was being produced in the city for the first time in more than 100 years. Altogether, 50 percent of the steel industry facilities in the area have disappeared in the last 15 years, estimate executives at FMP.

For a toll processor located in the city, these were not ideal conditions. "We once had a huge industrial base. But then the OEMs declined and the bankruptcies occurred and there was too much processing capability. I had to ask myself, 'How am I going to keep this processing capability employed?'" Gonzalez recalls.

The status quo was not going to work. FMP needed to find a niche in order to keep growing while the steel base was narrowing. Other service centers in the area were expanding their processing capabilities by adding temper mills and stretcher leveling equipment.

"For a toll processor, geographically, you have to be in the traffic lanes of steel commerce. With both OEMs and mills disappearing, you're very vulnerable to freight differentials," Gonzalez notes.

After studying the market, he concluded that Northeast Ohio could benefit from a toll processor that was a fully integrated cold-rolled steel converter. By equipping itself for

cold-rolled strip conversion, the company could offer a genuine alternative to how strip was produced and sold in the marketplace.

Thus, Ferrous Metal Processing added a cold-rolling mill in 2004, a United/Bliss four-high combination reversing mill. Three years later, it installed its first annealing equipment, a six-base Ebner installation. "As it turned out, taking the cold rolled conversion path was the only way to survive," Gonzalez says.

While still offering traditional tolling services for hot-rolled product (pickling, slitting, cut-to-length and leveling of light gauge, heavy gauge and narrow-width coils), the cold-rolled conversion services began attracting more of FMP's business. It enabled the company to add higher-quality, higher-value-added products, providing better margins. And, importantly, it opened the door for greater participation in the automotive market.

The plan worked as intended, and then some, Gonzalez says. Once the market got used to this new alternative, FMP began selling out its annealing capacity. Today, the company is in the process of expanding its annealing capabilities to meet the growing demand. This month, the company expects to fully commission a new four-base anneal installation. The LOI high-efficiency, 100 percent hydrogen furnaces will operate with Siemens drives and controls. The new units, which feature 212-inch stack height furnaces that can handle 72-inch OD coils, will be integrated with the company's existing Ebner furnaces.

Once fully operational, the furnaces will double FMP's annealing capacity to 9,000 tons per month, which Gonzalez estimates is just the right figure to match up with the company's other lines. "This provides enough annealing to support the capacity of our rolling mill. Before adding this, we had a gap, but this balances out our rolling capabilities."

Since entering the cold-rolling and annealing business, FMP has dramatically changed its customer base. At least 50 percent of its largest customers have come aboard as a result of the change.

Many of those new customers are service centers that can expand their offerings considerably by utilizing FMP's services. "I give every hot-rolled service center the opportunity to migrate to the cold-rolled world at will. But it takes awhile for people to absorb that. We're still in the evolutionary stage," Gonzalez says.

FMP sees its conversion capabilities offering benefits for any number of service center customers. Hot-rolled sheet distributors can convert excess inventory to cold-rolled, allowing more ways to sell material. Cold-rolled strip suppliers



FMP installed a United/Bliss four-high combination reversing cold-rolling mill in 2004 and is in the process of expanding its annealing capacity. Adding cold-roll processing capabilities opened the company up to new customers as its Cleveland market was shrinking. (Photo courtesy Ferrous Metal Processing)

bend testing and other tasks to meet customers' material specifications.

The changes at Ferrous Metal Processing have thus far staved off the effects of Cleveland's industrial decline, but Gonzalez knows further deterioration is possible. He questions how much commitment city leaders have to the steel industry.

"If we don't have the political support and assistance, it's tough to encourage the owners of Mittal," Gonzalez says. "We have to agree we want mills in Cleveland. I'm not sure our leaders want them."

When Severstal finds a buyer for Warren, Gonzalez hopes to get an audience with the new owner. "I am extremely interested in the ownership situation in Warren. That's a very important mill for me and my customers. I hope the next buyer has a plan." ■

limited to the automotive market can find new non-automotive customers, Gonzalez says.

FMP offers annealing for all types of material, including low carbon, high carbon, HSLA, alloy, ferritic stainless, ultra high carbon and others. It performs CQ, DQ, spheroidize, stress relief, high-temperature and warm-up annealing. The facility is equipped with a full met lab, capable of performing tensile testing, Rockwell and superficial hardness testing,

Increase your automotive market share.

Toll CR convert at Ferrous and compete for CR strip auto parts.



Ferrous Metal has the CR conversion capabilities to help make it happen.

FMP has world-class cold roll conversion capability.

Anneal

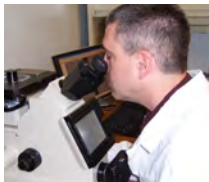
- 100% hydrogen anneal
- Can process the full range of material
- Any type of anneal with consistent specs and smut free surface
- A fully staffed and accredited met lab with on-site metallurgists

Cold Mill

- The most powerful combination reversing mill in the country
- Four high mill with 3,000 tons of rolling force
- .015"-.250" x 60"
- +/- .00025"

Materials

- Low Carbon
- High Carbon (1001-1095)
- HSLA (50-165 ksi)
- 4130, 4140, 6150, D6, D6A
- Other Alloys
- Advanced High Strength Steels (AHSS)
- Martensitic Steel
- Titanium
- Aluminum
- Stainless (Ferritic & Austenitic)
- Galvanized
- Others



PROCESSING CAPABILITIES



Low Carbon, High Carbon, HSLA, Alloy, Ferritic Stainless, Others		Gauge	Width	Length	ID	OD	Max Weight	Condition
Combination Reversing Mill	Inbound	.017/.250"	24"- 60"	Coil	24" Only	36"-74"	72,000#	HR P&O and CR
	Outbound	.015/.250"	24"- 60"	Coil	24" Only	36"-74"	72,000#	Cold Reduced, Temper Rolled, Skin Pass

Low Carbon, High Carbon, HSLA, Alloy, Ferritic Stainless, Others		Gauge	Width	Length	ID	OD	Max Weight	Temperature
Hydrogen Anneal	Inbound	.015" Min	14" Min	Coil	24" Min	44"-72"	60,000#	Up to 1562° F (850° C)
	Outbound	.015" Min	14" Min	Coil	24" Min	44"-72"	60,000#	

Low Carbon, High Carbon, HSLA, Alloy, Ferritic Stainless, Others		Gauge	Width	Length	ID	OD	Max Weight	Condition
Pickler	Inbound	.060/.500"	24"- 72"	350' Min	20"- 32"	44"-76"	80,000#	HR
	Outbound	.060/.500"	72" Max up to .375" 60" Max up to .500" 48" Max up to .625"	Coil	24" Only	44"-76"	60,000#	Oil or Dry
Heavy Gauge Slitter	Inbound	.125/.700"	15"-76"	Coil	20"- 32"	36"- 80"	80,000#	HR or HR P&O
	Outbound	.125/.700"	3"-72"	Coil	24" or 28"	36"-76"	80,000#	✓
Light Gauge Slitter	Inbound	.060/.375"	15"-76"	Coil	20"- 32"	36"-76"	60,000#	HR or HR P&O
	Outbound	.060/.375"	3"-72"	Coil	20", 24" or 30"	36"-74"	60,000#	✓
Heavy Gauge Leveler	Inbound	.165/.565"	24"- 96"	Coil	20"- 32"	36"-74"	80,000#	HR or HR P&O
	Outbound	.165/.565"	24"- 96"	60"- 480"	N/A	N/A	40,000# Bundle	Other Lengths by Inquiry
Light Gauge Leveler	Inbound	.060/.250"	24"-74"	Coil	20"- 32"	36"-74"	80,000#	HR or HR P&O
	Outbound	.060/.250"	24"-74"	60"- 360"	N/A	N/A	40,000# Bundle	Other Lengths by Inquiry
Narrow Width Leveler	Inbound	.125/.500"	6"-24"	Coil	24" or 28"	30"-72"	20,000#	HR or HR P&O
	Outbound	.125/.500"	6"-24"	60"- 480"	N/A	N/A	20,000# Bundle	Other Lengths by Inquiry