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BUSINESS

Gold Rush in Ohio? Small Town Plays Big Role

Refinery in Jackson Sends Recycled Gold to Asia for Jewelry



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This bucket of small gold pieces, valued at around \$1.4 million, will be melted down into gold bars at Ohio Precious Metals. *JOSHUA A. BICKEL FOR THE WALL STREET JOURNAL*

By **JOHN W. MILLER**

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JACKSON, Ohio—Building contractor Alan Stockmeister is known around town for his stewardship of local businesses: radio stations, a movie theater and a bank, for example. But nothing has been quite like his refinery just off Main Street, which has become an outpost in the multibillion-dollar global gold trade.

Ohio Precious Metals LLC owns one of five refineries in the U.S.—there are 73 world-

wide—certified to melt scrap gold and pour it into ingots that can be traded on global markets. OPM’s more than 170 workers process several billion dollars a year in gold and silver headed for banks and jewelers in New York, London and Shanghai.

“Historically, gold refineries have been near production sites, mines or the big financial centers where gold is traded,” says David Jollie, a London-based analyst at gold trader Mitsui Precious Metals. Ohio “is not really one of those places.”

OPM has been able to stay in south-central Ohio in part because gold prices, while 30% below their 2011 peak, are about triple what they were in 2004. Sales of gold to make rings, watches and electronics have increased 70% over the last 10 years, according to Thomson Reuters GFMS. Recent price declines mean that gold production at mines hasn’t kept pace, in turn fueling demand for cheaper-to-produce gold scrap.

The amount of scrap gold produced globally has increased 45% from 2004 to 1,280 tons last year. And more is moving from the U.S., second only to China in gold recycling, to Asia, where demand for jewelry and coins is strong. Last year, the U.S. exported \$32.9 billion in gold, up from \$3.6 billion in 2004, according to Global Trade Information Services.



“Over the past 10 years, we’ve seen a flow from West to East,” says Scott Morrison, the chairman of gold refiner Metalor Technologies SA, which has plants in Massachusetts, Singapore and Switzerland.

Mr. Stockmeister, 62 years old, who took over his father’s small construction business, wasn’t particularly interested in gold or recycling when he bought OPM a decade ago. His goal was to protect and create local jobs, he says. When he heard that the assistant manager at a local Wendy’s had a chemistry degree, Mr. Stockmeister gave him a job. Starting wages for entry-level chemists at OPM are \$25,000 a year. Engineers start at

\$45,000.

Gold from all over the world arrives in this city of 7,200 people in UPS envelopes and armored trucks. The plant, about two hours east of Cincinnati, is ringed by barbed wire. Employees pass through metal detectors and put their shoes through an X-ray machine. Violating the “no metals in, no metals out” policy can result in dismissal.

“We might make an exception if it’s stuck to the bottom of your shoe,” says OPM President Conor Dullaghan. Lloyd’s of London, the company’s insurer, assessed the facilities and employees to make sure OPM was protected against break-ins and kidnappings.



OPM President Conor Dullaghan says revenue is down 20% this year. *JOHN W. MILLER/THE WALL STREET JOURNAL*

OPM’s predecessor, Jackson Precious Metals, was founded in 1973 by Walter Luhrman. He removed gold from circuit boards and old telephones to recycle the metal. The work was performed in a former tire plant that Mr. Luhrman bought for \$35,000 when gold sold for less than \$100 an ounce.

Gold’s price rose sharply when investors bought the metal as a haven during the oil crisis. “By the end of 1973, it had gone up” sharply, Mr. Luhrman says. “I thought, ‘This is the right business.’” Around 2000, Mr. Luhrman wanted to expand and considered taking on a partner.

“Alan Stockmeister is who you call if you need help in this town,” says Jackson Mayor Randy Heath. He says Mr. Stockmeister once paid for a 20-foot Santa Claus to be displayed in the center of town.

Mr. Stockmeister had a vacant mushroom-growing facility that had been owned by his family.

“I bought that sucker for \$800,000,” Mr. Luhrman says. “And the more I talked about [recycling gold] with Alan, the more he thought I had a neat idea.”



Alan Stockmeister says his goal in buying OPM was to protect and create local jobs. *JOHN W. MILLER/THE WALL STREET JOURNAL*

Mr. Stockmeister invested \$1 million for a minority share in 2001 and two years later bought the whole company. “I was just interested in keeping the business local,” he says, concerned that another buyer might move the refinery out of state, a threat he subsequently used to his own advantage. “To be suddenly playing a part in this global billion dollar business was humbling.” In 2012, OPM merged with Dallas-based NTR Metals to form Elemetal LLC, which is now OPM’s parent.

During the 2009 financial crisis, Mr. Stockmeister paced outside, smoking cigarettes, trying to figure out how to get banks to lend him more.

“The economy was going to hell, but metals prices were up. There was opportunity. People were bringing in lots of scrap” but had to be paid up front, he says. He persuaded Jackson residents to invest in a private fund that purchased gold from traders and cash-for-gold shops.

He also successfully lobbied state officials to include metal refineries among businesses eligible for tax exemptions after saying that OPM might be forced to move to Texas. The exemption saved OPM around \$1 million this year. “We needed that to keep the jobs here,” he says.

The recent decline in gold prices has dimmed the incentive to trade in gold jewelry for recycling. OPM’s revenue is down 20% this year, says Mr. Dullaghan, the company’s president. Elemetal is making up part of the shortfall by combing through circuit boards, cable boxes and other electronics for small amounts of gold and by importing

more gold scrap, especially from South America.

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On a recent day, OPM workers open packages filled with gold necklaces and rings. Lab technicians determine the gold content, on which the price is based. OPM uses chlorine to strip away other metals, then melts the gold into nearly pure ingots or gold grain, which looks like chicken feed.

A worker, Brad (OPM doesn't allow publication of workers' last names), places gold grain into bottles the size of aspirin containers for sale to jewelers and banks. In each 32-ounce bottle is about \$38,000 in gold.

Mr. Dullaghan says OPM's isolation gives it an edge in terms of security, since it would be difficult to transport any stolen goods. "You'd need helicopters and several tractor-trailers," he says.

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