

April 24, 2012

# As Demand Rises, Ohio's Steel Mills Shake Off the Rust and Expand

By **KEITH SCHNEIDER**

CANTON, Ohio — The Ohio steel industry, led by a drilling boom in the gas and [oil industry](#) and a resuscitated demand for cars and light trucks, is growing again. Steel makers across the state are racing to keep pace with plans to add a total of two million square feet of production space at a cost of \$1.5 billion.

At the [Timken Company's](#) mill here on Faircrest Street, orders for steel from domestic and export markets plunged so low in May 2009 that the plant operated just four days that month.

Nearly three years later, with demand for steel soaring and the Faircrest mill operating around the clock, Timken has started building a \$200 million, 83,000-square-foot addition that will increase the plant's production.

"The need for specialty steel, much of it for oil and [natural gas](#) producers, is high in the United States and around the world," said Salvatore J. Miraglia Jr., the president of Timken's steel group. "We see demand in that market continuing to be healthy for quite some time."

That optimism is reflected in Timken's new building, which will rise 26 stories high and will sharply expand the plant's capacity to cast steel billets to be made into parts for drilling platforms, heavy equipment, and other oil and gas industry tools. Two other new buildings also are under way at the 27-year-old mill, one of which will house a new forge press and a facility where minerals and other compounds that strengthen finished steel will be added to molten metal.

In October, [United States Steel](#) opened a \$100 million, 325,000-square-foot mill at its Lorain plant to manufacture steel pipe for the drilling industry. [Vallourec & Mannesmann](#), a French company, is completing a \$650 million, 1.1 million-square-foot [steel pipe mill in Youngstown](#), and is building a separate 200,000-square-foot mill nearby to add threads to the pipes. Both plants serve the oil and

gas sector.

United States Steel is collaborating with a Japan-based partner, [Kobe Steel](#), to build a \$400 million, 454,000-square-foot addition to what is known as the Pro-Tec plant in Leipsic, south of Toledo, to serve the growing market for high-tensile lightweight steel used by makers of [fuel-efficient](#) vehicles.

“We haven’t had this kind of expansion in steel since the 1980s,” said Eric Burkland, the president of the [Ohio Manufacturers’ Association](#). “It’s a tremendous turnaround.”

When all the projects are completed this year and next, those plants alone are expected to add roughly 630 new manufacturing jobs. The unemployment rate in Ohio was 7.5 percent in March, below the 8.2 percent national rate in March, and down from a statewide peak of 10.6 percent in July 2009.

The projects also will help Ohio’s steel industry, the nation’s second-largest behind Indiana’s, to exceed the annual production figures of 14 million to 15 million tons that were achieved in the years before 2009, when production dropped to 4.8 million tons and investment in plants was just \$166 million, according to the [Ohio Steel Council](#), a state trade group. One reason for the industry’s revival, said Mr. Burkland, was anticipated: the recovery of the auto industry. “People feel more confident and they are buying cars again,” he said.

Auto manufacturing in the United States is a big buyer of steel. Carmakers expect this year to sell 13.8 million cars and light trucks in the United States, and could reach 14 million to 15 million sales by 2014, according to monthly sales figures and industry estimates. Sales peaked at 17 million vehicles in 2005, but plunged to 10.9 million sales in 2009 in the depths of the [recession](#). The Ohio Department of Development, [in a February 2011 report](#), said 72,000 people were employed in the state’s car and light truck vehicle assembly plants, and dozens of parts manufacturing plants.

But the surge in oil and gas drilling and the swift rise in the market for steel pipes and oil field equipment has come as a surprise. The clanging of long lengths of steel pipes being heated and cooled, pounded and straightened inside a new finishing plant at United States Steel in Lorain provides a rare inside view of the industry’s revival in Ohio.

The bright lights and charged furnaces, the powerful hiss of cold water on hot steel, and the jarring din that makes ear plugs mandatory safety equipment describe a company and an industry making

investments few thought possible only a few years ago.

“We’re shipping pipe to drilling operations in Pennsylvania, North Dakota, Texas, China,” said John Wilkinson, United States Steel’s interim plant manager. “All over the country. All over the world. Some of it is being used here in Ohio.”

New production practices have made it practical to tap the dense and deep hydrocarbon-rich shale beneath much of the Great Plains, the Gulf Coast, the Rocky Mountain West and the mid-Atlantic states, and they are being tapped at a frantic pace. Last year, according to the [Energy Information Administration](#) of the Department of Energy, a monthly average of 1,876 oil and gas rigs were in operation, the highest count since 2008. More than 45,000 oil and gas wells were drilled in 2011, and a third of the nation’s natural gas is now generated from shale.

In eastern and central Ohio, drillers focus on two layers of deep gas- and oil-bearing shale, the Marcellus and Utica. Early production results indicate the Utica wells alone are capable of producing millions of cubic feet of gas and hundreds of barrels of oil daily.

It takes a lot of steel to tap reserves that generally lie a mile or more beneath the surface. Each of the drilling pipes rolling off the production line in Lorain is 4.5 inches in diameter, 50 feet long and weighs 850 pounds. Drilling vertically to the depth of the shale in Ohio, and horizontally through it to tap gas and oil, typically takes 200 to 250 lengths of pipe — or some 100 tons of steel. As of April 8, Ohio had issued 207 shale drilling permits.

David Mustine, the general manager of [JobsOhio](#), a state economic development group, said that natural gas was a favored fuel for heating steel and that the new supplies were lowering prices, saving steel plants millions of dollars a year. “Drilling for natural gas has given Ohio steel producers a larger market for their products and a competitive advantage on cost,” Mr. Mustine said.

In Canton, Timken executives said they expected to complete the Faircrest mill’s additions by 2014, and production will increase to 925,000 tons annually from 750,000 tons this year. Mr. Miraglia said 425 people worked at the plant and that automation in the new buildings most likely meant that few if any jobs would be added.

Behind him, long, rectangular slabs of steel the color of the sun were being poured, turned and pounded in a fury of smoke and flame. “This is the largest investment made in this plant since we

built it," he said.