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## Businesses adjust to cost swings

*Mitch LeClair. St. Cloud Times. St. Cloud, Minn.: Apr 18, 2011. pg. A.1*

### Abstract (Summary)

In 1982, Dave Steckling started his Midas-touched life by traveling to trade shows nationwide. Since opening Gold-N-Silver Rarities in St. Cloud a few years later, he has seen peaks and valleys in precious-metal prices. According to Smith, the connection between a person and jewelry keeps business consistently healthy, even as bulk prices of repair materials rises.

### Full Text (949 words)

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Special to the Times

Exponential growth in the price of gold, silver and other metals over the past three years is leaving a few area businesses struggling to stay profitable, but some retailers are smiling.

In 1982, Dave Steckling started his Midas-touched life by traveling to trade shows nationwide. Since opening Gold-N-Silver Rarities in St. Cloud a few years later, he has seen peaks and valleys in precious-metal prices.

At one point, silver had lost 93 percent of its value compared with the dollar, he said, falling from a high of \$50 per ounce in 1980.

Prices are rising again, with silver topping \$40 an ounce and gold hitting fresh highs, trading as high as \$1,486 in recent days.

About 5 percent of Americans own precious metals as an investment, Steckling said. It is a more popular choice in Asian countries such as India and South Korea.

Concerns about the federal government's management of the money supply has driven some of his customers to seek silver, he said. They want small increments, he said, with U.S.-minted Silver Eagles in high demand. The dollar coins sell for almost \$50, while non-currency, one-ounce privately minted rounds and bars sell for about \$4 less.

Like other metal traders, numismatists, or coin experts, measure metals by the traditional troy ounce: 31.1 grams, compared with 28.3 grams for the ounce most commonly used in the U.S.

Steckling said sales have been "brisk" in the past few years, and he thought they would be even better if Minnesota's laws were a bit looser. Recent legislation may grant his wish, as Rep. Mary Kiffmeyer, R-Big Lake, introduced a bill March 14 that would exempt precious metals from the state sales tax.

Nerves

Martin Fulayter said his downtown Security Coin and Pawn Shop has seen an influx of people looking to sell jewelry and buy metals in recent months. Some of his clients are "very nervous about the state of the country," Fulayter said.

Using a much different business model, The Gold Shop opened at Minnesota highways 15 and 23 in November 2009. Austin Poff said business at the store -- which buys but does not sell precious metals -- has been slow lately.

Speaking in the simple storefront that contains little more than a scale, testing acids and a sales window, Poff did say he bought about \$900 in coins during the last week of March.

At the St. Cloud coin show April 3, Bill Jahn, owner of Lake Superior Coins in Duluth, said he's seen increased interest in bullion.

Younger people have joined the crowds, he said, and by 2 p.m., Jahn had sold more than 100 Morgan dollars -- popular \$1 coins that now fetch more than \$30 each for the three-quarter ounce of silver they contain.

A formerly common component of U.S. coins, including mid-20th century quarters that contain more than \$7 worth of metal at today's prices, silver sold at a 10-year low of \$4.10 an ounce in late 2001.

With prices closing near record highs in recent weeks, analysts are advising bandwagon investors to use caution.

#### Changing jewelry

Leland Smith, who owns L.L. Smith Jewelers with his wife, Nancy, said the jewelry industry always is experimenting with ways to replace gold due to rising gold prices and changing consumer demand.

Lower-quality alloys and alternative wedding bands made of "contemporary metals" such as titanium have become common requests, Smith said.

People also are reusing metal from old jewelry. Smith added that repairs have stayed popular at his store, which also buys unwanted pieces.

According to Smith, the connection between a person and jewelry keeps business consistently healthy, even as bulk prices of repair materials rises.

"If it wasn't important to them, they wouldn't bother," he said.

#### Raw material

Dr. Dedric McBroom, dentist at River City Dental, said jumps in material costs over the past few years haven't affected his office much.

Julie Ann Nyland, owner and dentist at Medical Arts Dental, agreed.

"Precious metal prices have gone up," she said, but the office has not raised patient prices in the past year.

An average crown contains about one-tenth of an ounce of gold, McBroom said, and preferences have trended toward ceramic solutions for about 30 years.

Frank Bender, president of dental supplier Thoele Dental Laboratory, said increasingly expensive metals have influenced buying patterns.

"High cost has forced dentists and patients to accept lower-quality alternatives, which is a shame," he said.

Bender said he thought those preferences changed dramatically in the 1980s as a result of \$900-an-ounce gold prices.

While aesthetics might push some patient toward tooth-colored, non-metallic piece, Bender said, metal repairs are a better choice for biocompatibility and durability reasons.

"Higher the gold content, the better the restoration," he said.

To keep their own costs down, Bender said the Thoele lab has switched to palladium-based alloys in many restorations.

Computers, plating

Reactions to rising prices are mixed in other area industries that use metallic inputs, such as circuit boards and metal finishing.

Neither Nasir Khan, owner of Computer Brainz, nor John Larson, owner of Granite Country Computing, have seen substantial effects of expensive metals.

But Terry Yager, owner of Rapid Plating in Sauk Rapids, said expensive inputs have hurt his bottom line.

"Nickel and zinc have just gotten ridiculous," he said.

Many metal finishing shops have closed in the past two years, Yager said, but stiff competition from the Twin Cities has forced him to keep prices steady for tool company contracts and custom vehicle jobs.

Whether metal prices settle or remain volatile remains to be seen, but Steckling said a weakening dollar could indicate the trend.

"Only one thing can beat a central bank," he said, "and that's precious metals."

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