



Half a world away, an entrepreneur grapples with (and profits from) China's boom

Local legend in Pekin, Ill., says that the town is on top of the putative hole through the earth from Beijing. In the 1820s, the town took its name from the Chinese capital, using the transliterated spelling found on maps of the era. In the 1960s and 1970s, Communist China was denounced on the floor of the U.S. Senate by the town's most famous son, Everett Dirksen, the fair-haired, golden-throated conservative Republican. Yet back then, if radical China was a threat to the American dream, it was a distant one.

Today, the workers and managers at Excel Foundry and Machine in Pekin feel China getting closer and closer. Excel makes parts for machinery used in heavy-construction and mining operations. There is little that's outwardly high tech about Excel's shop. It is American industry in its plainest form, forging and casting metal parts that go into other companies' machines. Within its 25,000-square-foot foundry, 11 large furnaces cast parts weighing up to 15 tons and costing more than \$10,000 each. The company sells what it makes globally out of its own warehouses around the world.

Doug Parsons, Excel's young president, heads the family-owned company and has worked hard to keep Excel on the cutting edge of its casting-business niche. He shops the world for the best machines, and practices and believes the company can stay ahead only if it invests in technology.

"Any of the parts we make that can easily be duplicated by metal shops in China," Parsons says, "are handed off to an offshore supplier." Parsons is willing to play middleman for some parts so long as the strategy helps Excel retain its spot

as manufacturer of higher-value parts. Under his stewardship, Excel has already relocated 20% of its production capacity to China. Sending production of commodity parts offshore also frees up the talent and machinery in Excel's own plant. Excel can then make products that few, if any, other companies can match. That's where the fattest margins are.

Yet, Parsons knows too that today's specialty parts may be tomorrow's commodities. He realizes that to keep business that might otherwise be lost to China's cheap, uncountable, and often huge foundries, he may well have to send even more of his production offshore. Some parts will inevitably be copied by his overseas competition. "I can't predict how we might have to do business in the future, but the goal is to keep enough ahead of the competition so that we can still run our factory here and do well," he says.

Parsons has China on his mind for still other reasons. In 2003 and 2004, the prices of copper and iron, like oil, skyrocketed in response to Chinese demand, thereby driving up Excel's costs. Yet at the same time, Excel's international mining customers have been buying more Excel products to feed that same Chinese appetite for commodities. Excel's business in Australia, where mines are booming, has been doing well lately.

Parsons himself hopes to catch some of the China boom. He has just started a new company that will build machines called Raptors, which crush rock for use in construction, including the manufacture of concrete. Until China took off, it would have been hard to see gravel-making machines as a growth business, but Parsons now has it in his mind that his new machines can fit nicely into China's frenzied construction boom. —T.C.F.

THE YIN AND YANG OF GLOBAL COMPETITION

Skyrocketing demand for mining equipment, driven by China's appetite for commodities, has boosted sales of the giant gears casted by Excel. But CEO Doug Parsons also has had to shift 20% of his production to China.