
ALUMINUM

New US billet remelt plant eyes growing gap in market: Alexin

Chicago—Aluminum billet remelt startup Alexin expects to fill a gap it sees growing between capacity and demand in North America in the next five years with a new 210 million lb/year plant scheduled to begin operation in Bluffton, Indiana, in late 2008.

"In the past couple of years, we've seen 190,000 mt of billet capacity fall away, and we expect another 180,000 mt to fall away within the coming two years," Tom Horter, president of the new company, said during an interview with Platts.

Todd Johnson, vice president of technical services, noted that along with recent capacity reductions by primary aluminum suppliers that are being replaced by offshore rather than domestic supplies, changing environmental requirements are making it difficult for older suppliers to continue to comply.

"We see some of those not investing the capital to upgrade their systems and coming to suppliers like

ourselves to get billet," Johnson said. The company plans to produce 6000-series alloys with most of the production expected to be 6063 and 6061 alloys, executives said.

Alexin has already been lining up both extrusion customers and press scrap remelting agreements. "We have a substantial portion of our business covered already, and that's a mix of direct sale and conversion business," Horter said. "The conversion sales agreements of course are basically tolling agreements," he added. "Those include tolling of scrap back into billets. In addition to our conversion tonnage, we'll also be buying scrap from the open market."

Alexin — taking its name from the first letters of the words aluminum, extrusion and ingot — plans to launch operations after the construction of a new 350,000 square foot facility that, when fully operational, will be the company's first manufacturing plant. The executives said the company is spending \$56 million to equip and finance the plant.

The plant will include a 200,000 square foot storage area and 100,000 square feet for manufacturing operations. It is expected to create more than 50 jobs. "We're excited about our project," Horter said. "Construction has begun, and the equipment is on order. We expect to start making our first billets around November 1 [2008]."

Horter declined to provide full details of the company's ownership, saying, "We're going to hold that close to the vest right now." Horter has 18 years of experience in the extrusion and billet industries and most recently was with Alcan in Sebree, Kentucky. He started his career with Cressona Aluminum and later worked through the Alumax and Alcoa acquisitions before also working at billet casting facilities of Hydro Aluminum.

Johnson has 25 years of aluminum industry experience and was most recently involved with Hydro Aluminum's relatively new billet remelt plant in Henderson, Kentucky. A metallurgical engineer by training, previously he had worked in production with Alcan, Alumax, Cressona and Alcoa, spending time in both billet casting and extrusion facilities.

Horter said the company believes the extrusion market has a growing need for the up to 16 inch diameter billet and finished lengths up to 290 inches that will be produced by the new regionally focused company.

Executives said that location was key to the planning of Alexin, with 29 aluminum extruders identified by the Aluminum Extruders Council in Illinois, Michigan and Indiana that can be serviced quickly by the northeastern Indiana location of the new plant.

Location and advanced technology, details of which the executives declined to reveal, are expected to give the company a leg up over competitors already serving the market like Hydro, Matalco and Thakar, they said.

"We believe we are going to have substantial advantages over all of those suppliers, mainly in proximity," Horter said. "We're going to be the only billet remelter in northern Indiana. We're going to be a brand new plant, with a very high technology and automation level which will yield very

low-cost production. We'll also have very modern environmental controls that will permit us to compete within the environmental rules of tomorrow."

Fellow remelters said they were unconcerned about new billet production coming on stream as Alexin's output is not expected for at least a year, and the market dynamics may have changed by then.

"I prefer not to see [this capacity] come on," said one remelt competitor. "They talk about a great need for billet, and I just don't see it, especially in the Midwest. Unless they think they can do it much better and more efficiently than anyone else."

He said in addition to Alexin, there are rumors of more billet capacity possibly starting in the US. The remelter said Alexin "would be lucky to cast any billet next year" as he heard they are "still knocking on doors looking for investors."

Another remelter said Alexin is planning to cast larger-diameter billet, so this might help them gain a niche market. Nevertheless, "it could take them a couple of years to get up and running. They have to pass all inspections and get qualified," he said. "They probably won't affect the market until 2010. Right now, the billet is not needed, but by then, who knows? There might be more extruders and some more using secondary billet." Extruders have also predicted more closures of the smaller, less efficient cast houses.

Added another remelter, "Right now [the extra billet] is not needed, but the market is always changing, so we are not worried about it." The remelter also noted that customers had been pretty loyal and may not necessarily abandon ship.

One of the remelters said brokers are not bringing in as much billet as they had in the past years as fewer extruders are committing to contracts. "They like to know there's a home," he said. "The extruders are reluctant to sign up for near as much as this year from brokers." He said one broker signed up only 50% of the volumes he had before.—*Philip Burgert, with Tina Petersen in Washington*